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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

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I N D E X

Page No.

THE INDUSTRIAL AND TRADE BUREAU OF GREATER QUEBEC, INC.

Mr. D. Bertrand
Mr. A. Viau

Direct evidence 10430

Cross-examination

By Mr. Cooper 10452
By Mr. McDonald 10463
By Mr. Sinclair 10466

The Commission

Mr. Balch 10471
Mr. Gobeil 10478
Mr. Mann 10483
The Chairman 10497

CANADIAN TRUCKING ASSOCIATIONS, INC.

Mr. M. Magee

Direct evidence
By Mr. Hume 10507

NO EXHIBITS IN THIS VOLUME



ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 28th
day of April, 1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q. C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
Thursday,
April 28, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please.

Now, we have the submission this morning from the Industrial and Trade Bureau of Greater Quebec, and we are glad to have the delegates here.

Who is presenting the submission?

MR. BERTRAND: I am, sir. I am Dominique Bertrand.

THE CHAIRMAN: Will you take the stand, please? If you would like your advisors in front of you we would be glad to have Mr. McDonald and Mr. Price move over so that they can sit there.

MR. BERTRAND: We really appreciate that favour, sir.

THE CHAIRMAN: And you may confer during the giving of your evidence.

MR. BERTRAND: Thank you, Mr. Chairman.

THE CHAIRMAN: Yes, Mr. Bertrand?

MR. BERTRAND: Mr. Chairman and Commissioners, the Industrial and Trade Bureau of Greater Quebec is happy to meet the Royal Commission on Transportation and to present to it a brief setting forth its views concerning transportation in the Quebec Metropolitan Area.

Our brief has been prepared and printed in French and English and copies in both languages have been offered to the Commission.

Since the members of the Commission have had the opportunity to acquaint themselves with our brief,



1
2 we respectfully request that it be taken into the
3 record as though read.

4 THE CHAIRMAN: I think that is quite all
5 right, Mr. Bertrand; so the submission will be taken
6 into the record as submitted and you will now be avail-
7 able for cross-examination.

8
9 SUBMISSION OF
10 THE INDUSTRIAL AND TRADE BUREAU OF
11 GREATER QUEBEC, INC.

12
13
14 Appearances:

15 Mr. D. Bertrand - President.
16 Mr. A. Viau - General Manager.
17 Mr. P. Gourdeau - Director.
18 Mr. Jean-Guy Caron - Secretary.
19 Mr. R. Gagne - Economist.

20 MR. BERTRAND: Mr. Chairman, Members of the
21 Royal Commission,

22 1. The Industrial and Trade Bureau of Greater Quebec
23 is happy to take advantage of this opportunity to lay
24 before you a brief setting forth its views concerning
25 transportation in the Quebec Metropolitan Area.

26 2. Our organization was incorporated in 1956
27 under the Quebec Companies' Act, third part, which
28 applies to non-profit organizations.
29
30



1
2 3. Its aims are: 1 - to promote and protect the
3 economic interests of the city of Quebec and its
4 metropolitan region; 2 - to encourage the establishment
5 of new industries and new commercial enterprises as well
6 as to further the development and prosperity of existing
7 industries and business firms.

8 4. It was organized and is now financed by a
9 group of leading industrialists and businessmen and by
10 most municipalities and civic associations of greater
11 Quebec.

12 5. In this report we shall endeavour to show that
13 the economic development of Quebec City and its environs
14 has always been closely linked to transportation facilities,
15 and that, because of its geographic position, the
16 region is called upon to share in the industrial
17 expansion of the country as a whole.

18 THE QUEBEC METROPOLITAN AREA.

19 6. The Quebec Metropolitan Area is the seventh
20 largest urban concentration in the country. Its
21 population, within a radius of 25 miles, is estimated
22 at 460,000 inhabitants and its territory covers some
23 2,600 square miles and takes in around a hundred municipalities
24 on both sides of the St. Lawrence River.

25 7. As an industrial centre, the Quebec area ranks
26 tenth in Canada, with a manufacturing production of
27 more than \$300 million in 1958, and it is still one of
28 the most important shipbuilding centres in the country.

29 8. Viewed within their historic context, the
30 demographic situation and the industrial and commercial
development of Quebec can be seen to have always been



1
2 closely linked to changes and problems in the sphere
3 of transportation.

4 ITS ECONOMIC HISTORY

5 9. Quebec became a commercial and administrative
6 centre as soon as it was founded and it was not long
7 before it became the metropolis of the country. For
8 more than 200 years, its position gave it an outstanding
9 economic role as the terminus for ocean-going vessels
and the junction for overseas and river shipping.

10 10. At the beginning of the 17th century, public
11 administration gave Quebec the status of a capital.
12 During the first two centuries of its existence, the
13 Quebec region formed the basis for the economic expansion
14 of the country. On the industrial level, a remarkable
15 economic upsurge was already making itself felt, partic-
16 ularly in shipbuilding and the manufacturing of footwear
17 and textiles. By the end of the 18th century, Quebec
18 was the largest town and the commercial metropolis of
19 the country. Its harbour at this time witnessed a
20 period of intense activity as a result of the lumber
21 trade and the building of ships to carry the lumber which
22 was in great demand on the United States and European
23 markets.

24 11. The lumber trade was a characteristic feature
25 of Quebec's economic life. In a single season, 350
26 ocean-going vessels anchored in the harbour to take on
27 a cargo of lumber.

28 12. In 1850, more than 50 shipyards crowded the
29 coves on both sides of the river with feverish activity
30 and kept more than 10,000 men at work. In one year



1
2 alone (1853), 79 wooden ships were launched from the
3 yards.

4 13. From 1860, the lumber business and shipbuilding
5 dropped sharply and a serious crisis resulted.

6 The decline in these leading industries dealt a severe
7 blow to Quebec's prosperity as a shipping centre. We
8 now propose to examine the reasons for this decline:

9 14. 1. The dredging of the St. Lawrence above
10 Quebec.

11 The digging of a ship's channel above Quebec,
12 begun in 1844, made it possible for ships to go farther
13 and farther up the St. Lawrence. Montreal gradually
14 became the maritime terminal and was thus placed in a
15 position to serve the hinterland, with its denser urban
16 centres, more economically than Quebec. The dredging
17 of the river between Quebec and Montreal improved our
18 waterway transportation system and was undeniably a
19 technical development essential to the progress of the
20 country.

21 15. 2. Quebec's railroad system.

22 The construction policy of the railroads which
23 favoured the economic development of Montreal and other
24 parts of the country, was, from the first, to prove of
25 little help as far as Quebec was concerned. It was not
26 until 1879 that Quebec City was linked to Montreal by
27 rail. The railway along the Beauport shore was only
28 begun in 1899 and the Lake St. John line dates back to
29 1888.

30 16. 3. The building of iron ships.

As we have already said, from 1860 the building
of wooden ships declined. Steam-powered navigation



1
2 called for ships with iron hulls and of far greater
3 tonnage. The results of this changeover from sails
4 to steam were further accentuated by a slowing down in
5 the lumber trade due to the depletion of the sources of
6 supply and the loss of outside markets.

WINTER NAVIGATION

7
8 17. From the foregoing it can be seen that the
9 economic expansion of the Quebec area has always depen-
10 ded to a great extent on its harbour activities.

11 Throughout its history, the Quebec region's economic
12 development has always shown a striking parallel with
13 its shipping. It is, therefore, evident that the port
14 of Quebec is a most important factor in the economic
15 development of the entire region.

16 18. The authorities of the Industrial and Trade
17 Bureau of Greater Quebec, Inc., are fully aware of this
18 fact, and from the Bureau's foundation they have taken
19 a keen interest in the opening up of the Quebec harbour
20 to year-long navigation. They have done all they
21 possibly could to bring this about, since they feel the
22 materialization of this project would be a great step
23 toward attaining the Bureau's objectives which are to
24 create, by means of improved transportation conditions,
25 a favourable economic climate for the expansion of
26 existing industries, and to attract new industries and
27 business firms to the region.

28 19. Following research undertaken immediately
29 after its inception in February, 1957, the Greater Quebec
30 Bureau made public, in November of the same year, the
preliminary results of a technical survey of the



possibility of the year-long use of Quebec's harbour facilities, and the advantages to be derived from such use. The general conclusion of the report was that winter navigation from the Atlantic to Quebec was physically possible, reasonably safe and economically feasible.

20. This information roused the interest of several shipping companies. On January 14, 1958, the Federal Intercoastal Line Limited, inaugurated a regular service between Quebec City and north shore ports, and chartered a small coasting ship, the M. V. "D'Vora", which made nine trips and carried 2,000 tons of freight during the winter of 1958.

21. This successful experiment incited three coastal shipping companies to operate regularly between Quebec and the north shore the following winter. The number of trips made between December, 1958, and April, 1959, rose to 47 compared to 9 the previous year, and the volume of freight carried jumped from 2,000 to 16,000 tons.

22. As for transatlantic navigation during the winter months, an epoch-making event was the arrival at Quebec City on February 13, 1959, of the M. S. "Helga Dan" of the J. Lauritzen Lines of Denmark, the first ocean-going ship to reach the port of Quebec in midwinter. The Greater Quebec Bureau was thus able to prove its contention that transatlantic shipping was possible in winter even under conditions which experienced observers rated as the worst in thirty years.

23. The success met with during the first winter



1
2 made the three coastal shipping companies decide to
3 maintain regular service between Quebec and the north
4 shore during the 1959-60 winter season, and also incited
5 other ocean navigation companies to establish regular
6 service between Quebec and European ports. The figures
7 for last winter's shipping activities in the harbour
8 speak for themselves; winter navigation, oceanic as
9 well as coastal, resulted in the handling of 193,000
10 tons of freight, representing a total value of nearly
11 \$60 million. By March 19, sixteen ocean-going ships
12 had made twenty-two trips and seven coasting vessels had
13 made forty.

14 24. Transatlantic shipping alone accounted for the
15 handling of 174,979 tons of freight, that is, 72,013
16 incoming tons and 102,066 outgoing tons. The value of
17 the merchandize is estimated at \$52,500,000. As for
18 coastal shipping, the figures also show a marked in-
19 crease: 7 ships made 40 trips and carried around 18,100
20 tons of cargo, or 2,100 tons more than last year. The
21 value of the freight carried to and from the north shore
22 amounted to \$5,500,000.

23 25. The wages paid out to Quebec dockers in the
24 course of the past winter seasons show the importance of
25 winter navigation as a counteraction to the seasonal
26 character of employment in the Quebec area. During the
27 four winter months of 1957-58, the sum of \$149,067.45
28 was paid out to dockers. For the 1958-59 season, the
29 amount was \$225,838.06. For a period of only three
30 months during the 1959-60 winter, wages to dockers rose
to \$469,969.44, or more than double the amount of the



1
2 previous year for a period of four months.

3 26. But other sectors of the economy also gain
4 from the increased activity in the port. Services,
5 ground transportation, wholesale and retail trade,
6 financial firms benefit in varying degrees as a result
7 of the increase in maritime shipping.

8 27. We, therefore, feel justified in asserting
9 that winter navigation on the St. Lawrence as far up as
10 Quebec has been proven feasible and is an asset for
11 our region. The tangible success attained incites us
12 to renew our efforts to have Quebec recognized as a
13 national winter harbour. It is obvious that winter
14 navigation to and from Quebec constitutes a step forward
15 for Canada's external trade as a whole rather than a
16 near-sighted attempt to promote the development of a
17 single area.

18 The Importance of Winter Navigation
19 On the National Scale

20 Foreign Trade.

21 28. You certainly know, gentlemen, that "Canada
22 is faced with strong competition on foreign markets.
23 Our chief exports, such as asbestos, newsprint, aluminum,
24 etc., are up against serious competition from other
25 countries."

26 29. "Sales of Canadian asbestos accounted for 93
27 per cent of the total European consumption of this product
28 a few years ago. As a result of foreign competition,
29 our share of that market has apparently dropped to 67
30 per cent."

31 30. "Canadian exporters of newsprint to Europe and



1
2 experiencing strong competition from certain European
3 countries which can sell their paper at a lower price
4 than ours."

5 31. "The Aluminum Company of Canada, reporting
6 to the Gordon Commission, (L'avenir des Exportations du
7 Canada, Commission Royale d'Enquete sur les Perspectives
8 Economiques du Canada, Ottawa, page 216.) stated there
9 might possibly be a drop in sales of semi-finished alu-
10 minum products on export markets, compared to total
11 sales, though the absolute figure may increase, because
12 of the growing domestic demand and constantly increasing
13 competition from foreign producers."

14 32. "The fact that they can now ship from Quebec in
15 winter, is a matter of great importance for these indus-
16 tries, since they can thereby effect a considerable
17 saving in cost which, in turn, allows them to offer
18 keener competition on international markets. Consider-
19 able savings are not only effected through reduced rail
20 transportation, but also through a reduction in warehouse
21 costs both at points of origin and destination."

22 33. "A number of other Canadian products could be
23 shipped at lower cost. A detailed study of railroad
24 transportation rates for 25 classes of merchandise
25 shows that a saving of from \$0.02 to \$0.47 per hundred
26 pounds (extract from a table of freight rates compiled
27 at the request of Quebec Terminals Ltd. by the office
28 of the assistant officer in charge of foreign freight
29 (rates), Canadian National Railways, Montreal, Quebec,
30 April 15, 1958) could be effected by shipping from the
port of Quebec in Winter. This means that a number of



1
2 Canadian industries could benefit to a considerable extent
3 by using this new facility."

4 34. "The recent creation of two powerful coalitions
5 in Europe, the Common Market and the Outer Seven Market,
6 forces us to reduce the cost of our products on foreign
7 markets. We believe winter navigation to the port of
8 Quebec, is an excellent means of attaining this objec-
9 tive." (An address delivered by the President of the
10 Industrial and Trade Bureau of Greater Quebec before the
11 Quebec Trucking Association, Inc., February 16, 1960.)

12 35. On the national scale, winter navigation up
13 to the port of Quebec would not only be a valuable aid
14 to our foreign trade, but it would also contribute to
15 solving the problem of transportation which Canada has
16 to face with regard to shipments abroad during the winter
17 season. In fact, a portion of our exports are shipped
18 abroad through United States ports because of their close
19 proximity to our industrial regions. In 1958, total
20 exports of Canadian goods shipped overseas via United
21 States ports represented 8.5 per cent of which 6.5
22 per cent went through Atlantic ports of that country.
23 Our geographic situation, therefore, makes us dependent
24 on the seaport facilities of our neighbour. Year-long
25 navigation on the St. Lawrence is the obvious solution
26 to this situation which is detrimental to our economy.

27 Domestic Trade.

28 36. Greater Quebec exerts its influence over a wide
29 area. Because of its harbour, Quebec City is the dis-
30 tribution centre of a region which covers all the eastern
part of the province and it constitutes the first



1
2 important urban zone in close proximity to the natural
3 resources of Ungava, Lake St. John, Chibougamau, New
4 Quebec and the mineral deposits of the Gaspé peninsula.
5 Its geographic situation increases its functions as a
6 port since it is the gateway for incoming and outgoing
7 freight for the major industrial and commercial zones
8 of both Canada and the United States. The eastern
9 regions of the province are now witnessing a sharp
10 economic upsurge, this is particularly true along the
11 north shore and the estuary of the St. Lawrence where
12 the production of iron ore, which up to 1954 was nil,
13 has now reached 15 million long tons. It is estimated
14 that production in northern Quebec, calculated on the
15 basis of developments actually under construction, by
16 1965, will be somewhere in the neighbourhood of 45
17 million long tons worth \$450 million. From these
18 estimates, production is expected to triple in five
19 years' time. Besides, investments in mining develop-
20 ments which are at present estimated at a billion dollars,
21 are expected to be something like 2½ billion dollars
22 within the next few years.

23 (Page 10444 follows)
24
25
26
27
28
29
30



1 37. The rapid growth of the population in that
2 region is an indication of the intense economic activity
3 which can be expected there shortly. In 1951, the
4 population of Saguenay County was 42,664; in 1956, it
5 had risen to 57,364, that is, an increase of 14,700 or
6 34 per cent in five years. According to the latest
7 estimates, the population of the North Shore area is
8 likely to reach 170,000 by 1970.

9 38. To meet the more and more widespread needs of
10 this growing population and the increasing requirements
11 of the mining industry, the region must look to a large
12 urban centre with adequate facilities for the distribu-
13 tion of goods and services. Viewed in this light, the
14 part Quebec is called upon to play as a provisioning
15 and distributing centre takes on added importance, since
16 the development of the North Shore depends on maritime
17 shipping, which at the present time constitutes the best
18 means of transportation capable of adequately keeping
19 pace with the region's economic development. Moreover,
20 the importance of its requirements makes it essential
21 that this mode of transportation be efficient, continuous
22 and economical twelve months of the year.

23 Aids to Winter Navigation:

24 39. In order to carry out to the fullest extent the
25 function its geographic situation demands of it, Quebec
26 must be able to count on the wholehearted and unflinching
27 support of government bodies and organizations devoted to
28 the economic welfare of the country.

29 40. Winter navigation is an economic necessity.
30



1
2 . It is a practical reality which will continue and
3 increase from year to year. The federal government,
4 which exercises jurisdiction over maritime and rail
5 transportation, owes it to itself to furnish the necessary
6 assistance and lend its support to the realization of
7 this development.

8 41. The ships with reinforced hulls which under-
9 take to navigate on the St. Lawrence in winter should be
10 able to count on the help of icebreakers, if the need
11 arises, and all the technical assistance required to
12 make the fullest use of the natural geographic advantages
13 of the Port of Quebec.

14 42. Some regions of the country have developed
15 economically as a result of the extension of the rail
16 system, investments devoted to the improvement of our
17 waterways and subsidies granted to railroad companies.

18 43 Q. It suffices to recall that up to the
19 present time it has cost more than \$500 million to
20 dredge the St. Lawrence between Quebec and Montreal to
21 make it possible for ocean-going ships to use the channel.
22 This undertaking has fostered the development of Montreal
23 and adjoining regions to the west. Over the same period
24 of time, another \$500 million was spent on the construc-
25 tion and maintenance of a series of canals to facilitate
26 navigation over a distance of nearly 2000 miles inland.
27 The recent opening of the St. Lawrence Seaway has
28 necessitated a Canadian investment of somewhere in the
29 neighbourhood of \$350 million. Although those expendi-
30 tures contribute to the general prosperity of the country



1 they favour the economic expansion of the western part
2 of the Province of Quebec, Ontario and Western Canada in
3 particular.

4 44. Turning to sail transportation, there again
5 we find that the Canadian tariff structure has helped
6 the economic development of certain regions by making
7 it possible for them to ship their products to both
8 the domestic and outside markets at lower cost.

9 45. As an example of this, we would like to point
10 out that the subsidies the federal government granted
11 under the Maritime Freight Rates Act, for the calendar
12 year 1958, amounted to \$13,150,750.

13 46. We are certainly not opposed to a government
14 policy of assistance and support for those regions of
15 the country which are placed at a disadvantage owing to
16 their geographic situation. But we would like to see
17 Quebec also provided with the means to assure its own
18 development and to contribute as well to the national
19 prosperity. In the past, public works deflected from
20 Quebec some of the prerogatives which its geographic
21 situation had given it. It is only fair to expect that
22 the Quebec region be placed in a position where it
23 would no longer be at a disadvantage compared to cities
24 elsewhere in Canada, as far as rail and navigation
25 facilities on the St. Lawrence in summer and winter are
26 concerned. The cost of such a policy would only be a
27 small fraction of the amount spent each year for the
28 maintenance of our waterways.
29
30



Railway Problems in the Quebec Area

Railroad tariffs:

47. So that its port can function efficiently, Quebec should be able to count on adequate ground transportation.

48. The present situation shows that railroad service does not always do justice to the Port of Quebec. To illustrate this point, we refer you to the following table which gives the rates applying to the transport of class 100 freight originating in Ontario localities and shipped to Quebec, Pointe-au-Pic and Rimouski. For other classes of freight, the rates are proportionately the same.

Class 100	Normal Class rates		Proportional class rates	
	Quebec	Rimouski	Pointe au Pic	Pointe au Pic
From	(1)	(2)	(3)	(3)
Fort Erie, Ont	3.70	3.63	4.03	3.63
Hamilton, Ont.	3.37	3.30	3.81	3.30
London, Ont.	3.70	3.63	4.14	3.63
Toronto, Ont.	3.26	3.19	3.59	3.19
Welland, Ont.	3.59	3.52	3.92	3.52
Windsor, Ont.	4.25	4.18	4.58	4.18

50. An analysis of the above table discloses the following inequities:

51. (a) The cost of freight shipments by rail from different parts of Ontario and consigned to ports on the North Shore, is higher if they are forwarded to

(1) CPR Tariff No.E.2180-B & E.2210-A: (2) CFA Tariff #6:
(3) CNR Tariff No.C.100: (4) Applicable only on traffic for furtherance by water to North Shore St. Lawrence points Tadoussac to Natashquan, Que. inclusive.



1 the Port of Quebec rather than to Pointe-au-Pic.

2 52. (b) Freight shipped from points in Ontario
3 to Rimouski, like that shipped to Pointe-au-Pic, has a
4 tariff 7 cents lower per 100 pounds than that applicable
5 to Quebec and Levis.

6 53. It strikes us as inconceivable that freight
7 carried by rail through Quebec's Metropolitan Region can
8 be shipped farther east at less cost than if it were
9 unloaded at Quebec. As a matter of fact, Pointe-au-Pic
10 and Rimouski are situated respectively 60 and 200 miles
11 east of Quebec.

12 54. We find this discrimination against the Quebec
13 Region and its Port hard to understand. We feel read-
14 justments should be made to railroad tariffs to make them
15 conform to Quebec City's geographic position and the
16 advantages its harbour can offer.

17 Level Crossings:

18 55. We want to draw attention as well to the
19 excessive number of level crossings in the vicinity of
20 Quebec City, which are a great cause of inconvenience.
21 They have already been the subject of numerous complaints
22 over a period of years and we feel it is imperative that
23 the situation be remedied without further delay.

24 56. The crossings in question were built to meet
25 conditions and requirements in existence fifty or
26 seventy-five years ago. They no longer comply with the
27 actual needs or the dictates of modern town planning,
28 in accordance with which several of our municipalities
29 have been erected.

30 57. The City of Quebec suffers to a great extent
from this problem. There are at least seven level



1
2 crossings over the main arteries leading north-south.

3 As a result, traffic is often held up along the level
4 crossings of the Canadian Pacific line. The situation
5 is further complicated today because of Quebec's demo-
6 graphic growth and a marked trend to the suburban areas.

7 58. Consequently there is a heavy flow of traffic
8 in and out of the city and passing trains are a source
9 of delay and inconvenience.

10 The Lake St. John Railway:

11 59. The efficiency of the Lake St. John Railway
12 which links Chicoutimi to Quebec should also be a
13 matter of careful consideration. This railroad does
14 not meet the exigencies of modern transportation. In
15 fact, the fastest train operated on the line takes
16 seven hours to cover the 227 miles between the two cities,
17 which means that it runs at an average speed of 35.3
18 miles per hour.

19 60. Since Chicoutimi can be reached by highway
20 from Quebec in less than three hours, there is an urgent
21 need to improve the railway service by eliminating some
22 of the detours and repairing the road itself.

23 Dismemberment of the Levis Division of the
Canadian National Railways:

24 61. In order to reorganize administration, the
25 Canadian National Railways have decided to dismember the
26 portion of their rail system known as the "Levis Division"
27 whose superintendent's administrative office has always
28 been located in Levis. The breaking up will be
29 effected by transferring the Montmagny Subdivision, a
30



1
2 section extending from Riviere-du-Loup to St. Charles de
3 Bellechasse, to the Campbellton Division, and the Armagh
4 Subdivision, another section extending from Monk
5 (Tourville) to Diamond (the eastern end of the Charny
6 sorting yard), to the Edmunston Division.

7 62. To summarize the actual structure of the
8 Canadian National Railways system, we will say that it
9 extends from the Atlantic to the Pacific, and that it
10 is divided into three regions, the Atlantic, the Central
11 Region and the Western.

12 63. The Central Region comprises the Quebec,
13 Montreal, Northern Ontario and Southern Ontario Districts.
14 The Quebec District is made up of the Levis, Laurentian
15 and Cochrane Divisions. The Levis Division, as a result
16 of its geographic position, on the east adjoins the
17 Campbellton and Edmunston Divisions, which both form
18 part of the Atlantic Region; and on the west, the Levis
19 Division adjoins the St. Lawrence Division which belongs
20 to the Montreal District.

21 64. In accordance with the decision taken by the
22 authorities of the Canadian National Railways the
23 Maritime Provinces Division will have jurisdiction as
24 far as Levis and Joffre. This will mean the gradual
25 disappearance of the present office of the Levis Division
26 which is situated in the centre of Quebec's economic
27 area.

28 65. We are of the opinion the Quebec and Levis
29 areas form an indivisible economic entity and that any
30 policy, pertaining to transportation, aimed at dividing



1 the two zones can not only prove detrimental to their
2 development but would weaken their present economic status.

3 Besides, the industrial expansion of Levis, linked as it
4 is to that of the whole of Greater Quebec, is likely to
5 suffer from the fact it would become dependent on a
6 division economically different. This might possibly
7 hinder efforts to speed up its progress in the future.

8 66. But, in addition to the economic homogeneity
9 which we claim for it, there is a homogeneousness of an
10 ethnical order which is even more important. We cannot
11 overlook the fact that a difference of culture and lan-
12 guage exists between the maritimes and Quebec. It is
13 obvious that the population of the Levis Division does not
14 look with favour on the move to bring it under the
15 control of a division where a different language is
16 spoken, whereas the vast majority of our own population
17 speaks the French language.

18 67. In closing, gentlemen, we wish to reiterate our
19 firm conviction that the Greater Quebec area has an im-
20 portant part to play in the national economy. The
21 degree of its importance will be in direct ratio to the
22 means provided, particularly in the sphere of transpor-
23 tation, to make profitable and maximum use of the area's
24 geographic advantages. In other words, to do this it
25 is essential all anachronisms be done away and trans-
26 portation services brought into line with Greater
27 Quebec's economic progress and town planning.

28 68. May we say, gentlemen, how greatly we appre-
29 ciate the time and energy you are devoting to the study
30



1
2 of transportation problems on both the national and
3 regional levels. You may rely on our entire cooperation.

4 Respectfully submitted.

5 * * * * *

6
7 CROSS-EXAMINATION BY MR. COOPER:

8 Q. Mr. Bertrand, in paragraph 19 of your
9 submission, appearing on page 4, you make mention of
10 a publication of the preliminary results of a technical
11 survey of the possibility of the year-long use of
12 Quebec's harbour for facilities and the advantages to
13 be derived from such use.

14 Could you supply the Commission with a copy
15 of the publication to which reference is made?

16 A. With great pleasure. We have here the
17 bound report and we have a resume of that report which is
18 in English.

19 Q. Thank you.

20 A. Shall we deposit it now?

21 Q. We can, perhaps, hand it to the Secretary.
22 It need not be made an exhibit, but it could be available
23 to the Commission.

24 THE CHAIRMAN: Yes.

25 MR. COOPER: Q. In paragraph 20, on page 5,
26 you mention the inauguration of the regular service
27 between Quebec City and North Shore ports, commencing
28 January 14, 1958, and you refer to the number of trips
29 and the amount of freight in tons carried during the
30 winter of 1958.



1
2 Could you inform the Commission as to whether
3 or not any subsidies are paid with respect to the opera-
4 tion of services between Quebec City and North Shore
5 ports?

6 A. You mean subsidies that might be paid
7 by the federal government?

8 Q. And by the provincial government.

9 A. And by the provincial government?

10 Q. Either one.

11 A. Paid to the shipowners?

12 Q. Paid to the shipowners.

13 MR. BERTRAND: Would you, Mr. Viau, be in
14 a position to answer that question?

15 MR. VIAU: Mr. Chairman and Commissioners, if
16 my memory serves me well there is one company that I
17 have heard that has for many years received subsidies
18 from both governments, the provincial and federal, and
19 that would be the Clark Steamship Company; and during
20 that period to which you refer only one company in-
21 augurated this service mentioned in paragraph 20. That
22 was the Federal Coastal Commerce with one ship chartered
23 by them -- the D'Vora. To my knowledge that
24 company was not and is not subsidized.

25 Q. In paragraph 23 you state that "... the
26 success met with during the first winter made the three
27 coastal shipping companies decide to maintain regular
28 service between Quebec and the North Shore during the
29 1959-60 winter season, and also incited other ocean
30 navigation companies to establish regular service between



1
2 Quebec and European ports."

3 I take it that one of these three companies
4 is the Federal Intercoastal Line Limited?

5 MR. VIAU: Yes.

6 Q. What are the other two?

7 MR. BERTRAND: The Maritimes Agencies and
8 Clark Steamship.

9 Q. And of those three, as I understand it,
10 Clark Steamship does receive a subsidy from the federal
11 government and a subsidy from the provincial government?

12 MR. BERTRAND: I am inclined to so believe.

13 Q. The other shipping companies do not
14 receive subsidies from either source?

15 MR. BERTRAND: Definitely not.

16 Q. You refer, also, in paragraph 23, to the
17 amount of freight handled in the port of Quebec during
18 the 1959-60 winter season. What icebreaker services are
19 available to the port of Quebec to assist in the matter
20 of winter navigation?

21 MR. BERTRAND: Your question is, "What
22 icebreaker service is available to the port of Quebec
23 for help and assistance to ocean or coastal"?

24 Q. That is right.

25 MR. BERTRAND: We understand that for coastal
26 navigation icebreaker service is available.

27 Q. What does that service consist of? Is
28 it one icebreaker, or two, or what?

29 MR. BERTRAND: This I could not definitely
30 answer, but I understand there is always one available



1 excepting possible conditions due to an icebreaker
2 having to be repaired; but, in general, the coastal
3 vessels received help which they needed.
4

5 Q. What about the ocean-going vessels?

6 MR. BERTRAND: The ocean-going vessels --
7 most of them managed to come to Quebec without help of
8 the icebreaker. They were there and if there had been
9 any real help needed such help would have been given in
10 cases of danger; but because there was no danger or
11 emergency the icebreakers did not come to any rescue.

12 Do any of my advisers have anything to add to
13 that?

14 MR. VIAU: Mr. Chairman, to answer the thought
15 of the question we might say that out of those twenty-two
16 ships which came to Quebec between December 19th and the
17 end of March, most of them were reinforced ships -- ice-
18 fighting freighters; most of the time during what we
19 call the summer season they ply in Greenland up to
20 latitudes 73 and 77 degrees north. They are specially
21 equipped and built for heavy ice -- what they call the
22 blue ice of the Arctic and Antarctic -- and generally
23 speaking, especially this winter, the ice conditions were
24 rather moderate between Quebec and the Gulf, and even
25 Cabot Strait.

26 Q. From what you say I understand that winter
27 navigation has been made possible into the port of
28 Quebec because of a special type of ship which has been
29 engaged in the service to Quebec?

30 MR. VIAU: I would say so.



1
2 Q. In paragraph 24 you give figures there
3 as to the number of tons of freight handled -- 72,013
4 incoming tons and 102,066 outgoing tons. That is for
5 trans-Atlantic. What is the nature of the cargoes that
6 come into Quebec -- the incoming cargoes?
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(Page 10460 follows)



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2 MR. VIAU: On almost each of those ships
3 coming in we had small cars, mostly from Britain; we
4 had glass, plate glass, all kinds of glass, coming mostly
5 from England, too, and we had the general cargo coming
6 from different countries, including Germany, France,
7 Italy, Sweden, Holland, Belgium, The Netherlands, from
8 the continent, mostly Antwerp and Rotterdam.

9 Q. It is a general cargo service, then?

10 MR. VIAU: Right, sir.

11 Q. Just for the information of the Commission,
12 would you give us the names of the North Shore ports
13 that are served by the coastal service. I presume Baie
14 Comeau?

15 MR. VIAU: Yes, Baie Comeau and Baie Cartier
16 and Seven Islands.

17 THE CHAIRMAN: I don't think the witness
18 answered your question fully as to the outgoing traffic.

19 MR. COOPER: I realize, Mr. Chairman, I hadn't
20 put that question to him. I will put it now.

21 Q. What was the nature of the outgoing cargoes
22 from the port of Quebec in the winter season?

23 MR. VIAU: The outgoing cargo would be news-
24 print and pulp, manufactured in Quebec City proper by
25 Anglo-Canadian pulp mills; the Aluminum Company of
26 Canada in Arvida, we had quite a few shipments this year,
27 this season, and we had one also last winter. In
28 shipping from Quebec, the Aluminum Company is saving
29 over \$14.00 a ton instead of shipping, if they had to, from
30 an Atlantic port, United States or Canadian.

We had also an increase of shipments of asbestos,
from the Eastern Townships, which is very close to Quebec,



1
2 and that section is considered as one of the zones, one
3 of the economic zones of influence of Quebec in shipping.
4 On our winter ships they can reach the European markets
5 at \$8.00 cheaper, which places them in a much better
6 position to compete with our competitors in the European
7 markets, especially South Africa and Russia.

8 We have been shipping also chemicals from
9 Shawinigan, and most shipments of newsprint were for
10 London, for the Daily Mail and the Daily Mirror. In
11 shipping newsprint twelve months a year, especially in
12 winter, we feel it is a great advantage to our Canadian
13 factories, especially the ones located within our bound-
14 daries, and it is considered one of our responsibilities
15 as an industrial and trade bureau not only to bring new
16 industries to the Quebec district but also protect and
17 develop the existing ones. So in this particular
18 case of newsprint there is a saving of \$14.00 a ton if
19 you ship through Quebec City instead of by another port
20 in winter. That also enables us to sell the goods
21 manufactured within our boundary in the European markets
22 at better conditions to compete with the other countries.

23 Q. I want to turn to page 12 of your sub-
24 mission. You mention there certain difficulties which
25 you term in paragraph 50 as inequities in the matter of
26 freight rates from various points to Quebec and the other
27 places you have listed in the table in paragraph 49.
28 Has the matter of the inequities you refer to in paragraph
29 51 and the following paragraphs been taken up with the
30 railways? Have these rates been brought to the
attention of the railways, the inconsistencies and



1
2 anomalies which I think you consider they are?

3 MR. BERTRAND: The information has been
4 obtained from the railways.

5 Q. Have you gone to the railways and asked
6 for an explanation or relief with respect to these
7 rates, or have you generally discussed the matter with
8 them or --

9 MR. BERTRAND: So far we have not done that
10 because we knew we were coming here and we felt this
11 was the right place.

12 Q. You also mention on page 14 the efficiency
13 of the Lake St. John Railway which links Chicoutimi to
14 Quebec as being a matter which should be carefully con-
15 sidered. Is there, as I presume there is, transport,
16 that is truck service, from Quebec to Chicoutimi?

17 MR. BERTRAND: Yes, sir.

18 Q. Is that extensively used?

19 MR. BERTRAND: Extensively used is right.

20 Q. So there is a much shorter and faster route
21 - is it correct to say that? - from Quebec to Chicoutimi
22 than the railway offers?

23 MR. BERTRAND: There is.

24 Q. Would you have any information as to the
25 volume of freight movement by truck as compared to the
26 movement by rail between the different points?

27 MR. BERTRAND: I would hesitate to state any
28 definite figure.

29 Q. Has any representation been made to the
30 railway authorities with respect to the matter of the
efficiency of the Lake St. John Railway?



1
2 MR. BERTRAND: Mr. Viau may correct me on that,
3 but many representations have been made by different
4 other bodies in the past.

5 Q. As to the matter of level crossings, of
6 course, you are familiar with the fact that there is a
7 grade crossing fund which provides funds for the
8 elimination of level crossings by joint action of the
9 authorities concerned?

10 MR. BERTRAND: We are, to the extent of
11 a large percentage.

12 Q. Has any action been taken with respect
13 to any of those level crossings to eliminate them by use
14 of the grade crossing fund?

15 MR. BERTRAND: Not by our own organization.

16 MR. COOPER: That is all, thank you.

17 THE CHAIRMAN: Mr. Hume?

18 MR. HUME: No, I have no questions,
19 Mr. Chairman, thank you.

20 THE CHAIRMAN: Mr. McDonald?

21 MR. McDONALD: Yes, Mr. Chairman.

22 CROSS-EXAMINATION BY MR. McDONALD:

23 Q. On page 12, dealing with rates, I think
24 we have checked these. I don't want to take the time
25 of the Commission, but we have checked these rates over,
26 and I think if they are rechecked you will find that on
27 February 16, 1959, there was a change made in some of
28 those rates.

29 MR. BERTRAND: February 16, 1959?

30 Q. Yes, and I would suggest that the best thing



1
2 to do is to discuss it with the traffic officers of the
3 railway, and I think you will be able to get the thing
4 ironed out.

5 MR. BERTRAND: Which would mean, according
6 to your information, this information which was given to
7 us was not the last one?

8 Q. That is right, it is not the latest.

9 MR. BERTRAND: Thank you.

10 Q. And as far as rates are concerned for
11 points along the North Shore, are you aware of the fact
12 that the rates via Quebec or Pointe au Pic are both the
13 same?

14 MR. BERTRAND: That I am not sure.

15 Q. You could also check that, but that is
16 what I am advised.

17 MR. BERTRAND: For the benefit of Mr. Gagne,
18 could you repeat that question?

19 Q. Are you aware that the rates for points
20 on the North Shore are the same as for via Quebec City
21 or via Pointe au Pic?

22 MR. BERTRAND: So far as we know, it doesn't
23 seem to be the same. Since when would that be?

24 Q. February 16, 1959. I would suggest
25 you discuss this with the officials of the railway and
26 they will be able to iron it out.

27 Then dealing with the passenger service on the
28 Lake St. John Railway, are you aware that the railway
29 is about 40 per cent longer than the highway?

30 MR. BERTRAND: Yes, we are aware of that.

Q. And the railway also serves about 60



1
2 different communities along that line?

3 MR. BERTRAND: Yes.

4 Q. So their over-all time is affected by the
5 number of stops for the local service.

6 MR. BERTRAND: We are only too aware of this
7 fact when we do travel.

8 Q. Is it a matter of importance to those
9 people in these communities that they get service?

10 MR. BERTRAND: I am fully aware of the importance
11 to those people, but, unfortunately, I did not come here
12 to speak on their behalf.

13 Q. I will look after their interests.

14 MR. BERTRAND: Thank you.

15 Q. And also the highway in question is one
16 of the best highways in the province of Quebec?

17 MR. BERTRAND: Very good.

18 Q. Then you mentioned the Levis division,
19 in paragraph 61. I might point out that Canadian
20 National is in the process of re-organizing its Operating
21 Department and Traffic Department, and so on, for greater
22 efficiency and economy, and there are bound to be some
23 changes.

24 MR. BERTRAND: There are bound to be some
25 changes in addition to the ones already announced?

26 Q. Yes, in addition to the ones already
27 announced, and it is all in the interest of efficiency
28 and economy. And may I point out that in other places
29 there are French-speaking officers, for instance, the
30 General Superintendent in Montreal.

MR. BERTRAND: Yes.

Q. That is including Brockville, Portland



1
2 and Ottawa. It is impossible in operating the railway to
3 make divisions on account of language; we have French
4 over English, we have English over French, but it is all
5 done in the interest of efficiency and economy, and it
6 has been going on for some time and it is working very
7 satisfactorily. I might also point out in the
8 Campbellton division we have French-speaking officers.

9 MR. BERTRAND: Yes.

10 Q. Everything is working out very satisfact-
11 orily.

12 MR. BERTRAND: Yes.

13 THE CHAIRMAN: Mr. Sinclair?

14 CROSS-EXAMINATION BY MR. SINCLAIR:

15 Q. Mr. Bertrand, the use of Quebec as a
16 winter port is a matter that your organization or members
17 of your organization have discussed directly with the
18 senior officials of Canadian Pacific. That is correct,
19 is it?

20 MR. VIAU: Of the Canadian Pacific Railway?

21 Q. Yes.

22 MR. VIAU: On my return from Copenhagen in
23 October, I stopped in Montreal and discussed the matter
24 with Mr. Crump.

25 Q. One of the difficulties about the port
26 is that if the ships use it in the wintertime they have
27 to have special reinforced hulls. This is correct, is
28 it not?

29 MR. VIAU: During December, three of the
30 C. P. R. ships, ordinary summer navigation ships, left
Quebec between December 19 and Christmas, and they were



1
2 ordinary ships.

3 Q. But in the months of January and February
4 it is a matter of operation. Is it not correct that the
5 ships require reinforced hulls?

6 MR. VIAU: Most commendable. That may be.

7 Q. You wouldn't want to go so far as to say
8 it is required, it is necessary?

9 MR. VIAU: I would say yes, sir.

10 Q. And the development of Quebec as a winter
11 port, you would agree, certainly requires navigational
12 aids and icebreaker service in the case of ships getting
13 into difficulty in ice?

14 MR. VIAU: Navigation aids and icebreakers
15 have always been or, at least, existed for a very, very
16 long time in Quebec.
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1 Q. Are there enough icebreaker navigational
2 aid provisions maintained there to assist ocean-going
3 vessels moving up to Quebec in, say, January and
4 February?

5 MR. VIAU: It is a most difficult question
6 to answer, because this will be in relation to the
7 increase of traffic. I can say that Quebec City is a
8 base for icebreakers. There are one, two -- three at
9 times. They serve mostly to prevent the jamming of
10 the river at the Quebec Bridge, keeping open the St.
11 Lawrence between the Quebec Bridge and Montreal to
12 prevent floodings such as we had in Longueuil years ago.
13 These icebreakers, being under steam 24 hours per day
14 in case of an urgent request, are very often in port.
15 This year there was only one slight incident when one
16 ship, not reinforced, due to the fact that one icebreaker
17 at Point au Pere had to take light repairs on her
18 steering gear, that ship, to deliver the pilot as close
19 as possible to the shore, and help conditions, instead
20 of staying in clear water, tried to come as close as
21 possible to the wharf of Point au Pere, and the wind
22 from the west made her fast in ice, but if the wharf
23 had been in good condition -- and the deputy minister
24 was kind enough to answer our telegram about this
25 matter, by saying that as soon as repaired, the wharf
26 would take care of the situation, and this was done.

27 Q. What your evidence might be summed up
28 as, in regard to this winter port matter, is that you
29 have had through your efforts -- and I think, certainly,
30 some members of the Commission



1 recognize this -- have done a substantial amount of
2 progress in establishing Quebec as a winter port, and,
3 indeed, your progress has been remarkable, but that you
4 would like it to be more remarkable still; that is really
5 what you are saying?

6 MR. VIAU: That is right, sir.

7 Q. And you are asking this Commission to
8 recommend to the federal government that such additional
9 aids as are necessary to fully develop the economic port
10 facilities and the navigational requirements in the winter
11 time be provided -- that is a general recommendation,
12 whatever is required by shipping firms and transportation
13 firms in the area: would that be your point?

14 MR. BERTRAND: In other words, we are not
15 here to protest, but we are here to say we have appre-
16 ciated whatever has been done, but we need more help and
17 we are respectfully asking for it.

18 Q. As a general recommendation, without
19 anything specific?

20 MR. BERTRAND: Yes.

21 Q. On this other matter, on this matter of
22 rates, the major movement of traffic to the City of
23 Quebec on Canadian Pacific is on commodity rates, not
24 on class rates; that is correct?

25 MR. GAGNE: Yes.

26 Q. And if there is a traffic movement to
27 Quebec that is required -- rate action is required --
28 you can, through discussions with the railway, meet the
29 requirements of that traffic with specific commodity
30



1
2 rates; is that correct?

3 MR. GAGNE: Yes, that is right.

4 Q. As a matter of fact there have been
5 numerous discussions with industries in Quebec with
6 Canadian Pacific -- and I think Mr. Bertrand knows this
7 -- for establishment of rates that will move the
8 traffic, and particularly the matter is being closely
9 watched to make certain, you would agree, I think, that
10 this rate action in no way prevents the proper economic
11 development of Quebec as a port and as an industrial
12 centre? There is no specific difficulty with com-
13 modity rates?

14 MR. BERTRAND: No specific difficulty?

15 "Specific," no.

16 MR. VIAU: Mr. Chairman, there is one case
17 which I might mention as general information: we did not
18 check the exact figures that were given us, and this is
19 not a complaint, but is only mentioning a fact that we
20 were told by a paper company that they had applied to the
21 C.P.R. for a rate for shipping some 500 tons of pulp
22 from Cornwall to Quebec, and they also asked for a quo-
23 tation on a rate from Cornwall to one of the Atlantic
24 ports. I was told that Cornwall to Quebec would be
25 54 cents per 100 pounds, and I was told by the same
26 gentleman that the rate from Cornwall to one of the
27 eastern ports in Canada would be 52 cents, and this
28 gentleman inquired of one of the C.P.R. officials, if
29 I remember rightly, and the gentleman said, "Well, we
30 will make it 52 cents for Quebec."



1 Q. Well, that would be satisfactory? You
2 don't want an advantage over Saint John, do you?

3 MR. VIAU: We are in favour of all possible
4 progress for all cities in Canada.

5 Q. As long as you are even, that is what
6 you want?

7 MR. VIAU: That is right.

8 MR. SINCLAIR: Thank you; that is all I have.

9
10 BY MR. BALCH:

11 Q. Mr. Bertrand, in regard to trans-Atlantic
12 shipping, you mentioned about the aluminum coming from
13 Arvida: how would that arrive at the water -- would it
14 come by ship in the summer and rail in the winter?

15 MR. BERTRAND: In the summer it would come
16 by ship.

17 MR. VIAU: No, sir, in the summer the
18 Saguenay Terminal being closely associated with the
19 Aluminum Company, they usually load in Port Alfred and,
20 generally speaking, they would stock their product in
21 winter in Arvida for shipment on their own ships during
22 the regular season. But, the experience they had with
23 us last year incited them to decide this last winter
24 that any urgent delivery, urgent request, made by Europe
25 would be shipped by rail from Arvida to the port of
26 Quebec and loaded on those winter freighters. On
27 aluminum, the rate we have obtained from the railway
28 serving that district is 14½ cents per 100 pounds with
29 a minimum of 80,000 pounds from Arvida to Quebec City.
30 The same rate to either ports of the Atlantic from



1 Arvida would be \$1.14 per 100 pounds.

2 Q. I have another question: I am interested
3 in Fort Erie. Would that freight originate at Fort
4 Erie or would it be from the United States?

5 MR. VIAU: I feel it is the result of the
6 development of the North Shore. Last year the Indus-
7 trial Bureau thought it was in their province to develop
8 more deliveries, more traffic, in winter between Quebec
9 and the North Shore. That means Baie-Comeau, where
10 some important construction is taking place, especially
11 Carghill Grain Elevators; in Port Cartier, where Cartier
12 Mining has spent close to \$300 million in developing
13 iron ore, and also Seven Islands. We thought we could
14 give a special impetus to winter coastal navigation by
15 requesting those large interests to ship through Quebec
16 during the winter time. They were all solicited, and
17 they also agreed to refer our request in favour of the
18 three coastal shipping companies to the large contractors
19 working for them. Of course, these three points men-
20 tioned here were considered mostly as a source of steel
21 for the North Shore, and this is why, I understand, the
22 Canadian National Railways has established at a certain
23 date these rates which were not established before; I
24 may be wrong on this -- and we had a quotation for
25 Quebec and the other ports for a rate from Fort Erie,
26 Hamilton and Toronto. This winter traffic was a very
27 big advantage, generally speaking: it enabled delivery of
28 goods in winter on the North Shore; it decreased the
29 unemployment on the North Shore during the last winter
30



1 months, as it did also in Quebec City -- in order to
2 try and correct what we call the seasonal unemployment.
3 As you know, navigation this year, according to official
4 figures, during the period of 120 days represented
5 \$511,469 in wages to longshoremen.

6 Q. It would probably be the steel from the
7 Horten Steel Company, which would be quite a haul?

8 MR. VIAU: Yes.

9 Q. I would like to address a question to
10 Mr. McDonald: Mr. McDonald, in mentioning the three
11 regions on Canadian National -- that is, Atlantic,
12 Central and Western -- and the change that has been made
13 at the present time, would it change this at all?

14 MR. McDONALD: When we get into what they
15 are working on -- this reorganization of area management
16 and cutting out all divisions -- it has not been definite-
17 ly decided just what this area will take in. So, it is
18 not finished yet.

19 Q. You haven't any idea whether it would
20 really change?

21 Mr. McDONALD: No, I haven't.

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25 (Page 10478 follows)
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1
2 BY COMMISSIONER GOBEIL:

3 Q. Mr. Bertrand, you have claimed in your
4 brief - and the fact seems to be proven - that Quebec
5 can be considered as a winter port. In paragraph 27
6 you are asking that it be recognized as a national winter
7 harbour - in capital letters.

8 What would have to be done and what would be
9 the change as a result of this port being recognized as
10 a national winter harbour?

11 A. I think, Mr. Gobeil, that your question
12 should be answered in capital letters by Mr. Viau.

13 MR. VIAU: Thank you, Mr. President.

14 Mr. Chairman, there is one factor which I have
15 already mentioned and that is that our existing industries
16 with winter navigation do not have to stock their goods
17 any more on the wharves of Quebec like we did in the
18 previous winter when 20, 30, 40,000 tons of newsprint
19 were waiting.

20 Secondly, we feel we will get more orders
21 from our European clients or foreign clients and we
22 feel that is developing the export trade of Canada.
23 One simple reason is that, like for asbestos, in
24 previous days the Europeans had to stock in November
25 for all winter - those who were giving us preference,
26 such as Canadian Asbestos.

27 Now, letters of credit are rather expensive
28 in Europe. I was told by an expert in the asbestos
29 business from New York that what is four per cent in
30 New York for letters of credit for stocking goods in
winter, or for a certain period, is around, or was at that



1
2 time - that is, last winter- about 6 per cent in London
3 and 8 per cent on the continent.

4 Furthermore, we have some competitors in the
5 asbestos field. They were in the position to deliver
6 quickly for twelve months of the year on regular schedule.
7 We were not.. We are today. I venture to say that this
8 will further our production, will increase our production
9 of asbestos and our sales abroad.

10 There are other factors. The Quebec district
11 has already many factors of localization for new industries.
12 We are served by two railways; we have very adaptable,
13 skilled labour; we have a good pool of labour. All the
14 other factors are very inducing and the proof can be
15 given as we find that between 1945 - after the war -
16 and 1953 a large number of new industries have established
17 in Quebec City.

18 I take the liberty to say, sir, that new
19 industries or new industrial projects are now being
20 considered by certain investors, and the fact that we
21 can export twelve months a year is an added factor
22 of localization in our favour. I only regret we did
23 not have that factor proven a few months ago.

24 Q. Those, Mr. Viau, are the advantages, or
25 some of them, which would result if the Quebec port
26 was open on a twelve-month basis.

27 MR. VIAU: That is right.

28 Q. But the first part of my question was:
29 To have Quebec harbour recognized as a national winter
30 port, what would that involve? What would have to be
done in order for it to have national recognition?



1
2 MR. VIAU: I could not answer that specific
3 question, but I can say that if the harbour of Quebec
4 was declared and recognized by the Department of Transport
5 officially as a port open twelve months a year, more
6 companies would come to Quebec to establish regular
7 services like Lauritzen Lines of Copenhagen did last
8 winter.

9 Incidentally, may I say, sir, that the
10 schedule which I have there for those ships - the Helga
11 Dan, the Thora Dan, the Anita Dan and the Frida Dan -
12 the schedule was observed and very often the ships
13 arrived two days ahead of time.

14 Q. As it is now there is no icebreaker based
15 or put in service especially for keeping the St. Lawrence
16 open, is there - expressly for that purpose?

17 MR. VIAU: Expressly for that purpose, no.
18 The government announced officially that the coastal
19 trade would have the proper assistance if needed during
20 the winter for coastal service; but this declaration or
21 commitment was not made for the ocean-going facilities.

22 Q. Do you feel that to have Quebec harbour
23 working on a twelve-month basis an icebreaker would be
24 required specially for that?

25 MR. VIAU: Well, sir, I would say that since
26 we are an icebreaker base in Quebec for many, many years and
27 for the reasons I invoked previously that these ice-
28 breakers are there under power - under steam - 24 hours
29 to help in case the Levis ferry would be in need of
30 assistance; it happens once every two or three years;
and to prevent the ice packing at the bottleneck of the



1
2 Quebec bridge, which would make flooding up the river
3 towards Three Rivers and Montreal. So that those
4 breakers are there and have to be there all the time.

5 We feel that if the navigation companies
6 interested to come to Quebec in winter had the assurance
7 that their re-inforced ships would get assistance in
8 case of need, this would be a very great advantage, and
9 that, if it was known in international navigation
10 quarters, would give a very great impetus to the port of
11 Quebec during those cold months, as we call them now -
12 instead of hibernation; and this would give more traffic
13 to the railways eastbound to Europe and it would give
14 them more traffic westbound from Europe to deliver because
15 the cost is cheaper than otherwise; and it would diminish
16 unemployment. Fifty per cent of the longshoremen
17 this winter didn't apply for the \$30.00 a week; they
18 lived on their wages.

19 Q. In paragraph 35, page 8, you refer to
20 this winter navigation facility and its effect on the
21 export of products which would otherwise go through the
22 United States. Would that mean that the Quebec port would
23 divert more traffic from the United States than some
24 Canadian eastern port?

25 MR. BERTRAND: I wouldn't say it would divert
26 more; but especially from the United States; and
27 certainly anything that we could take away from the
28 United States would be an advantage to all of Canada.

29 Q. On page 14, paragraph 59, you mention
30 about highway transportation and you refer to the
distance of 227 miles between the two cities. Do you



1
2 think that for freight traffic the fact that it takes
3 seven hours between the two cities means much?

4 MR. BERTRAND: It is certainly not an advantage,
5 but it may not be as big a handicap. But for passengers
6 it is certainly not according to modern and efficient
7 methods of transportation.

8 Q. In view of the highways between Quebec
9 and St. Jean and the small percentage of passenger traffic,
10 do you feel that the C. N. R. would be justified in
11 undertaking important expenses to improve the circulation
12 of passenger traffic?

13 MR. BERTRAND: I do not think it would be fair
14 on my part to tell you, Mr. Chairman and Commissioners,
15 that the C. N. R. would do well and that it would be
16 proper for them in their accounting to do just that,
17 but I can say that we would appreciate a better service.

18 BY COMMISSIONER BALCH:

19 Q. On this question of the time element,
20 which was raised by Mr. Gobeil, the seven hours is for
21 passenger, or freight, or both?

22 MR. BERTRAND: I would ask Mr. Gagne.

23 MR. GAGNE: That is passenger.

24 Q. And freight wouldn't be as slow as that?

25 MR. GAGNE: Yes - or slower.

26 MR. BERTRAND: I would dare to say that freight
27 takes even longer.

28 Q. Thank you.

29 THE CHAIRMAN: We will recess now.

30 ---Recess.



1
2 THE CHAIRMAN: Order, please. Mr. Mann?

3 BY COMMISSIONER MANN:

4
5 Q. Mr. Bertrand, first, before I ask the
6 questions I have, I want to say that no one who has
7 looked at the activities of the Industrial and Trade
8 Bureau of Greater Quebec can help but be impressed by
9 the initiative and persistence you have shown.
10 There has certainly been a great change in Quebec since
11 the Bureau started to work and particularly with regard
12 to winter navigation.

13 I think in reply to Mr. Sinclair, Mr. Viau
14 said it was necessary for ships engaged in winter
15 navigation to be re-inforced. Would you or Mr. Viau
16 have any idea of the percentage of the world's fleet,
17 in tonnage, perhaps, that is re-inforced today?

18 MR. BERTRAND: I would not.

19 MR. VIAU: It would be a very small percentage,
20 I feel, and only navigation companies from the Scandinavian
21 countries and Germany have, like Norway, Sweden, Denmark,
22 Germany, Finland, and very few others.

23 Q. And they have them because of their
24 navigation conditions in that area, of course?

25 MR. VIAU: Some of them, yes, sir, mostly
26 in the Baltic and north of Sweden to Norway and Russia.
27 Those and the others like Petsamo, and also because some
28 of those companies like Lauritzen would specialize in
29 polar navigation. As you probably know, the Antarctic
30 expedition two years ago was made, if my memory serves me



1
2 well, jointly by Australia and Britain, who chartered
3 one of their polar vessels, the Megga. Would that
4 answer your question?

5 Q. Now, Mr. Viau, these vessels are only
6 used for part of the year in the Baltic and the North
7 Sea and that territory on agreement services between
8 Denmark and Greenland. They are not used the year
9 round there.

10 MR. VIAU: They are not, for the Greenland
11 service.

12 Q. But they are used going into Petsamo.

13 MR. VIAU: I would say mostly the Baltic
14 in the winter.

15 Q. And they use the service at Murmansk?

16 MR. VIAU: I know it was done frequently
17 during the war.

18 Q. Do you think there is any possibility of
19 an increase in year-round navigation in northern Europe?

20 MR. VIAU: Yes, mostly in the Baltic and the
21 northern section of Norway. I would say yes.

22 Q. This traffic is on the increase.

23 MR. VIAU: Yes.

24 Q. Is there any possibility that these ships
25 will be fully utilized in that service?

26 MR. VIAU: We were given to understand at the
27 close of winter navigation that the Lauritzen Company
28 is now building two more re-inforced ships, if not three,
29 to use them for their service on the Baltic to replace
30 the ones which came to Quebec last winter and which
have been earmarked already for the next winter season



1
2 on the regular schedule.

3 Q. Apart from the Esquimault which has been
4 constructed by Canada Steamship Lines, are there any
5 Canadian re-inforced vessels?

6 MR. VIAU: I understand one of the coastal
7 vessels of the Clark Steamship Company is re-inforced,
8 the Nord Voyageur.

9 Q. In the work you and your assistants have
10 done have you looked at the possibility of using Canadian
11 re-inforced ships, say, the Frobisher and Tadoussac?

12 MR. VIAU: The question has been considered by
13 some navigation companies.

14 Q. And is it feasible?

15 MR. VIAU: I understand it would be feasible
16 up to a certain latitude in winter, and one maritime
17 agent in Quebec is considering the building of a small
18 re-inforced ship, about 1500 to 2000 tons, for the
19 coastal trade in winter, and the polar navigation up north
20 in northern Canadian territories in the summertime.

21 Q. You could probably lengthen the navigational
22 season at Goose Bay, too, by having re-inforced ships?

23 MR. VIAU: I feel that way, sir.

24 Q. These re-inforced ships have a heavier
25 hull. Do they require heavier machinery?

26 MR. VIAU: I understand they do.

27 Q. And therefore their operating costs
28 are higher than those of non-re-inforced ships, are they?

29 MR. VIAU: I have no figures, but --

30 Q. You would think so?

MR. VIAU: I would think so, because the
freight rates are a little higher for re-inforced ships.



1
2 Q. Can you give us an indication of how much
3 higher? I understand there was a figure of 20 per cent,
4 I think, mentioned at one time.

5 MR. VIAU: It would be between 15 per cent and
6 20 per cent, sir.

7 Q. Now, could you tell us, perhaps, Mr. Viau,
8 whether these arbitrary, over the ordinary freight rates
9 are entirely due to the heavier costs, operational costs
10 incurred by the re-inforced ships, or is it also due to
11 the higher insurance rates on the ships going into Quebec
in the wintertime?

12 MR. VIAU: At present I would say that con-
13 ditions are or, lately, were the same as at the beginning
14 of the development of Fort Churchill. The insurance
15 rates were high, and we feel they will come down, as
they did for Churchill.

16 Q. We know that Churchill is still complaining
17 about higher insurance rates than they think conditions
18 warrant in that region of Canada.

19 MR. VIAU: Yes.

20 Q. And would you expect your insurance rates
21 would always be higher than the insurance rates in the
summer in Quebec?

22 MR. VIAU: I can say this, that the insurance
23 rates - it was more or less of a test case of inquiry
24 on our part on the shipment of lumber - the insurance
25 rates for a re-inforced A-1 finish specification,
26 registered with Lloyds, was the same in mid-winter,
27 January and February and March, for Quebec as the rate
28 on a class 2 ship on the St. Lawrence in the summer.



1
2 Q. When we are talking about insurance,
3 are we talking about hull insurance now? Is there
4 any additional cargo insurance premium?

5 MR. VIAU: I was referring to cargo insurance,
6 sir.

7 Q. What about hull insurance?.

8 MR. VIAU: I regret I could not say.

9 Q. I understand it is higher?

10 MR. VIAU: It normally should be.

11 Q. Now, may I refer you, Mr. Bertrand,
12 to paragraph 27 on page 6. You say:

13 "We, therefore, feel justified in asserting that
14 winter navigation on the St. Lawrence as far up
15 as Quebec has been proven feasible and is an
16 asset for our region."

17 Now, you are familiar - I have already alluded
18 to the Esquimault which is operated by Canada Steamship
19 Lines. They established a record this year by sailing
20 into Three Rivers in January or February, I believe.

21 MR. BERTRAND: Yes, sir, January.

22 Q. Do you think that winter navigation is
23 feasible as far as Three Rivers?

24 MR. BERTRAND: We have made no study for
25 Three Rivers. But we feel that progress cannot be stopped,
26 and we do not intend to stop it.

27 Q. Do you think that there would be any extra
28 costs, from looking at the situation, that a steamship
29 company would incur by over-sailing Quebec to Three Rivers?

30 MR. BERTRAND: I regret I did not get your
question.



1
2 Q. Apart from the distance costs between
3 Quebec and Three Rivers, if a steamship company went to
4 Three Rivers instead of Quebec, would there be any
5 additional costs incurred by that steamship perhaps due
6 to, oh, greater resistance offered by the ice?

7 MR. BERTRAND: I have every reason so to
8 believe, yes.

9 Q. So economically it would be cheaper
10 for the steamship company, in your opinion, to stop at
11 Quebec and discharge its cargo there?

12 MR. BERTRAND: I think you are right in saying
13 that. But from the point of view of the importer
14 or exporter, there could be another story.

15 Q. Now, for instance, on the Esquimault, the
16 voyage she made to Three Rivers, she carried some steel
17 for Montreal.

18 MR. BERTRAND: Yes.

19 Q. The railway rate from Quebec was 43 cents
20 a hundred to Montreal.

21 MR. BERTRAND: That I do not know.

22 Q. That was my information. The railways -
23 I think it was Canadian Pacific, - publish a rate of
24 36 cents per hundred to Three Rivers, but I understand that
25 the railways only got a very minor part of that shipment
26 because most of it went by truck at 30 cents per hundred
27 pounds.

28 MR. VIAU: Yes, you are perfectly right, most
29 of it went by truck. When we were informed that the
30 Esquimault was going to Three Rivers, we were told that
that would be a saving for the Ville Marie centre, there



1
2 would be a saving, that they would effect a saving of
3 \$25,000, on the freight alone.

4 Q. That sounds about right.

5 MR. VIAU: And I feel, like our President,
6 that if, in the future, more ships, even the re-inforced
7 ones, go to Three Rivers, it will most certainly involve
8 extra costs, I would say, not only to the company but
9 maybe also to the government, because there are two
10 factors that we have in Quebec which do not exist up
11 the river. We have a tide, a rather high tide, that
12 will break the ice and shift it up and shift it down.
13 Furthermore, not very far down Quebec there is salt
14 water, which makes rather soft ice as compared to the
15 blue ice, while above the Quebec bridge to Three Rivers
16 you have soft water and very little tide. The
17 proof is those jams we get at the bottleneck of the
18 Quebec bridge which might, if they were not broken up
19 at times, damage the piers.

20 Q. You mentioned extra cost to the government
21 if the ships went up to Three Rivers. What costs would
22 they be?

23 MR. VIAU: I suppose they would need extra
24 services of ice observers.

25 Q. That is aerial surveys, you mean?

26 MR. VIAU: No, what they call the ground
27 ice observers, like there are long the St. Lawrence
28 for many years. All over the North Shore there are
29 special observers turning in their report every day;
30 and then Department of Transport, through the branch
at Sydney - it used to be Quebec and Seven Islands -



1
2 Sydney will distribute these reports of both the observers
3 on the ground, with territories overlapping, and the
4 aerial reconnaissance which has been existing for many,
5 many years.

6 Q. And, in your opinion, these are unnecessary
7 costs incurred at present, are they?

8 MR. VIAU: No, on the contrary, they have been
9 in existence for many, many years and they help our
10 mariners.

11 Q. I am still talking about the sailings
12 between Quebec and Three Rivers.

13 MR. VIAU: Yes.

14 Q. You mentioned that there would be extra
15 costs incurred by the government.

16 MR. VIAU: I may be wrong, but I feel that
17 those ships during the usual, the average winter would
18 need the assistance of icebreakers to open the road for
19 them.

20 Q. Do you feel that assistance would be
21 warranted in view of the fact that Quebec is able to take
22 the traffic without the additional assistance?

23 MR. VIAU: A most difficult question to
24 answer.

25 Q. When that steel cargo arrived in Three
26 Rivers, it was forwarded, as I think you know, by truck,
27 or a good deal of it was forwarded by truck, to Montreal.
28 Did you have any active participation of the trucking
29 industry in the forwarding of, say, some of the
30 confectionery you got in Quebec last winter from Scotland
that went to Montreal?



1
2 MR. VIAU: That I could not answer, sir.

3 But I was told that the trucking companies must have
4 moved about 35,000 tons this winter out of a total of
5 about 200,000 coastal and ocean. Out of the 200,000
6 tons altogether, you may consider about 18,100 tons
7 only was coastal.

8 Q. Do you think that the trucking industry
9 accounts for about 20 per cent of that traffic?

10 MR. VIAU: They told us 35,000 tons.

11 Q. Is that participation of the trucking
12 industry in export traffic and import traffic to and
13 from Quebec increasing, or do you look forward to an
14 increase of export and import traffic to and from Quebec?

15 MR. VIAU: If we had better rates than parity
16 with the other ports from the east, it would enable us
17 to compete more with the American ports exporting our
18 Canadian goods. If the rates of both railways were
19 a little more advantageous in our favour, I feel that
20 the proportion of trucking compared to the total would
21 diminish considerably.

22 Q. To traffic to and from Montreal, parity
23 hardly comes into consideration, because you have the
24 option of moving your import and export traffic under
25 --

26 MR. VIAU: I was referring mostly to the
27 southern section, from the southern section, southwestern
28 Ontario. If we had better rates from Quebec from the
29 railways we could take away some of the traffic which
30 is now being diverted to certain ports.

(Page 10493 follows)



1
2 Q. Now, you mentioned, Mr. Viau, you had
3 come back from Copenhagen some time ago; did you go
4 anywhere else in Scandinavia?

5 MR. VIAU: No, I spent only five or six days
6 in Copenhagen to complete the organization of the winter
7 programme.

8 Q. Do you happen to know whether ships going
9 to the port of Petsamo in Finland pays ice charges?

10 MR. VIAU: I know pertinently that there are
11 ice charges in the Baltic. These ice dues are men-
12 tioned in the annual publication, Canadian Shipping.
13 If I understand correctly, what was explained to me,
14 not in Copenhagen, but in Quebec City, these icebreaker
15 dues or ice dues, are proportional; in other words,
16 if an A-1 Finnish specification or an A-1 Lloyds comes
17 into the Baltic, let us say, she would pay 25 cents per
18 ton.

19 Q. That is per gross registered ton?

20 MR. VIAU: I couldn't say which is which.
21 If another ship, an ordinary ship, even Clas A-1 summer --
22 what the polar mariners call "tin cans" -- came in, then
23 the charge for icebreaker dues would go up to 75 cents
24 or even \$1.25, possibly having in mind to discourage the
25 ordinary ships from venturing into waters that belong to
26 more powerful ships.

27 Q. And these ice dues are levied for what
28 purpose? What is the reason for charging these ice dues
29 on the reinforced ships, say?

30 MR. VIAU: I have no definite explanation, but



1 I would venture to think that it would cover part of
2 the expenses that are being incurred to give them that
3 assurance that if they are in trouble they will be
4 assisted properly.
5

6 Q. In your efforts to promote winter naviga-
7 tion, Mr. Bertrand, you have undoubtedly been in close
8 touch with the two railways, and the steamship companies
9 and the trucking industry: have you had full cooperation
10 from all of those agencies?

11 MR. BERTRAND: I can answer "Yes".

12 Q. May I come back to paragraph 27 of your
13 brief on page 6: Dr. Gobeil has already touched on some
14 of these aspects of the proposal you make that Quebec be
15 recognized as a national winter harbour, and I wonder
16 whether I can follow Dr. Gobeil and ask you whether you
17 think there should be more promotion by the National
18 Harbours Board of Quebec as a year-round port? Is it
19 being done now -- let me ask that question first?

20 MR. BERTRAND: It is not being done now.

21 Q. Do you think it should be done?

22 MR. BERTRAND: We think it should be done.

23 Q. By the National Harbours Board?

24 MR. BERTRAND: Yes, Mr. Commissioner.

25 Q. Again, does the National Harbours Board
26 provide full services in the port of Quebec during the
27 period of the winter?

28 MR. BERTRAND: What do you mean by "full ser-
29 vices"?

30 Q. Well, are all the sheds open; are all the



1
2 personnel on duty that are required; do they have enough
3 national revenue people there; are there enough health
4 inspection people there?

5 MR. BERTRAND: Because we asked for it, we
6 obtained most of what we wanted.

7 Q. You have no difficulties at all?

8 MR. BERTRAND: Would you agree, Mr. Viau?

9 MR. VIAU: Yes, I would confirm your state-
10 ment, but we feel after the proof that has been made for
11 both the coastal and the ocean winter navigation, that
12 there will be considerable increase next season, and
13 that we shall be short of sheds. We intend to mention
14 this again to the authorities. We consider that for the
15 navigation companies using the ports in winter that we
16 had this year rather complete cooperation.

17 Q. Mr. Bertrand, I have a question relating
18 to paragraph 59 on page 14 where you talk about the
19 segment of the C.N.R. which links Chicoutimi and Quebec:
20 that highway, which you have told us is a very good
21 highway -- is it accessible the year round?

22 MR. BERTRAND: It is open the year round.

23 Q. No difficulty at all driving over it in
24 the winter time?

25 MR. BERTRAND: No difficulty, with a few
26 possible exceptions that are always being remedied
27 quickly.

28 Q. Have you any bus service between Chicou-
29 timi and Quebec?

30 MR. BERTRAND: There is.



1 Q. How long does it take?

2 MR. BERTRAND: About three hours.

3 Q. Do you have any air service between
4 Chicoutimi and Quebec?

5 MR. BERTRAND: It is to Bagotville, yes.

6 Q. The bus service takes a lot less time
7 and it can be had 365 days a year: do you think the rail-
8 way might give consideration to abandoning the passenger
9 service between Chicoutimi and Quebec and try and improve
10 its freight service?

11 MR. BERTRAND: This is a question I would like
12 to study more fully before giving you an honest answer.

13 Q. You have not been in touch with Canadian
14 National?

15 MR. BERTRAND: Not myself.

16 MR. BALCH: Would you have any idea as to
17 the roadbed? I notice it is only 35 miles an hour: is
18 that roadbed pretty bad up there, or are they keeping it
19 up -- the Canadian National -- that you could probably
20 put faster trains on there?

21 MR. VIAU: If I may answer that, I lived in
22 the Saguenay for five years from 1926 when I was with
23 the Aluminum Company in Arvida, and then two years in
24 Chicoutimi as assistant port manager and secretary-
25 treasurer of the Chicoutimi Harbour Commission. During
26 that period I was also secretary of the Chamber of
27 Commerce of Chicoutimi. I have heard during that
28 period and ever since, remarks from the people living
29 in the Saguenay and Lake St. John district to the effect
30



1
2 that the roadbed at least could be improved, because very
3 few people can sleep on the night train.

4 MR. BALCH: Well, I tried the same thing; I
5 went by train one night and I could not sleep. I drove
6 the next time.

7 MR. VIAU: I understand this section of the
8 country is a rather difficult one to maintain. We are
9 going through mountains, and we are going up to a rather
10 high elevation. The elevation of Jacques Cartier Lake
11 is about 3,000 feet above sea level.

12 MR. BALCH: Is that the lake ---

13 MR. VIAU: The railway road is to the west.
14 That is the highway we use going to Chicoutimi.

15 MR. BALCH: Yes, I know.

16 MR. VIAU: And with the development of
17 the Chibougamau district and the new part of the
18 Chibougamau section, we feel that the increase in revenue
19 would, in my opinion, justify the necessary investment
20 for improving conditions. Would that be enough to
21 give an increase of traffic from the trucking industry
22 -- I could not say. But, the general feeling is that
23 improvements could be made.

24 BY THE CHAIRMAN:

25 Q. Mr. Bertrand, you have told us about
26 this coastal shipping, and that until 1958 there was
27 no experiment at all.

28 MR. BERTRAND: That was the year when there
29 was one -- the D'Vora.

30 Q. Is the D'Vora a ship with a reinforced



1 hull?

2
3 MR. VIAU: No. She is a steel ship, but
4 not reinforced.

5 Q. Well, the next winter, although Clark
6 Steamships have been getting a subsidy, they never
7 attempted to serve the North Shore until 1959; is that
8 right?

9 MR. BERTRAND: I think it is.

10 MR. VIAU: The first winter it was Federal
11 Commerce who had chartered the D'Vora. The second
12 winter we were acquainted by Clark Steamships of their
13 desire to go on coastal, and at the same time Maritime
14 Agencies also decided to start coastal service.

15 Q. We were in Quebec, of course, and heard
16 some very interesting evidence, and the Commission was
17 tremendously impressed with the efforts relating to the
18 North Shore and the kingdom of the Saguenay, because what
19 we are concerned with is what is best for Canada, and
20 it struck us that there was very important information
21 given us as to the North Shore and as to the Saguenay
22 development. In that connection I may say that we had
23 evidence in connection with the Lake St. John Railway;
24 we had evidence as to the curves and as to the difficulty
25 in getting up speed on that because of the grades, and
26 so on.

27 MR. VIAU: Quite so.

28 Q. One other question, Mr. Bertrand: have
29 you now the facilities for loading and unloading, and
30 labour forces, and so on, at Quebec? Would it cost



1
2 any more money to put a port there in the winter time?

3 MR. BERTRAND: Well, so far -- would you
4 like to answer that, Mr. Gourdeau?

5 MR. GOURDEAU: Mr. Chairman, at the proper
6 time for coastal navigation we have all the facilities,
7 in my opinion, to load and unload the ships, and the
8 crane -- I think it is 75 tons -- is still operating in
9 the winter time, and has been for two years now. We
10 have all the stevedore equipment and the stevedores, and
11 we can give very good service in the winter time as in
12 the summer time.

13 Q. Well, across the country we have had
14 various suggestions made to us as to new services and as
15 to new developments, but nearly always it is accompanied
16 by the necessity of some expenditure of public money of
17 some kind: that would not be necessary here, as I under-
18 stand it?

19 MR. BERTRAND: I don't think it would be neces-
20 sary, except to follow the normal rate of progress.

21 Q. What you are suggesting is that this is
22 not a mere dream -- it is high in the sky?

23 MR. BERTRAND: Anything but a dream.

24 Q. It is now feasible, in the interests of
25 this country, that Quebec be developed as a winter port?

26 MR. BERTRAND: It is a dream, but a kind that
27 can come true.

28 Q. A practical dream?

29 MR. BERTRAND: Yes.

30 Q. You would say, as I understand your



1
2 evidence, Mr. Bertrand and Mr. Viau, that in the matter
3 of two products -- that is, aluminum and asbestos -- that
4 there would be more Canadian aluminum and asbestos sold,
5 and our foreign trade would be that much increased if
6 this port were a winter port?

7 MR. BERTRAND: This is our conviction.

8 Q. And your study shows that?

9 MR. BERTRAND: Yes, it does. Newsprint
10 goes with this too.

11 MR. COOPER: Mr. Chairman, I don't think it
12 appears clearly on the record as to what position Mr.
13 Viau has in the organization, and, I think, for the pur-
14 poses of the record, it would be useful to have that
15 information, and also as to the last gentleman who has
16 just given some evidence.

17 THE CHAIRMAN: Well, Mr. Bertrand could
18 indicate the position of each member of the committee
19 for the record.

20 MR. BERTRAND: Yes, Mr. Chairman. Mr. Viau
21 is the Director-General of the Industrial and Trade
22 Bureau of Greater Quebec. Mr. Gourdeau is a member
23 of the committee that prepared this brief. Mr. Gagne
24 and Mr. Caron are both members, at the administrative
25 level, of the staff of the Industrial Bureau.

26 THE CHAIRMAN: Thank you.

27 MR. VIAU: Mr. Chairman, may I beg of you
28 the favour of adding just one thought: we have from
29 Quebec and in Quebec quite a large number of marine
30 terminals for the big oil and gasoline companies. We



1 had the very comforting experience this winter' to receive
2 from the refinery near Halifax, in winter, and all winter,
3 a reinforced tanker called the Maple Branch. She
4 came to Quebec on two or three occasions and unloaded
5 during full winter at their marine terminal in Silery,
6 down the beach, each time about 1,500,000 gallons of
7 fuel oil or gasoline.
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2 It has been suggested to us that the economy of both
3 the maritimes and the province of Quebec and the North
4 Shore in this particular respect have a great deal in
5 common. To develop this observation I took the liberty
6 of calling Mr. Casey Irving of Saint John.

7 THE CHAIRMAN: We have heard of him.

8 MR. VIAU: I happen to know him well. At
9 my request, answering one of my telegrams he said, "Yes,
10 I would be interested in going to Quebec and the other
11 ports along the St. Lawrence from the North Shore to
12 Quebec to deliver oil to my marine terminals like Mont
13 Joli and other places. if our re-inforced tankers have
14 the proper assistance." I am sure that as soon as this
15 is possible for the Irving Oil they will come to Quebec with
16 re-inforced tankers. In fact, I might add that knowing
17 that Lawrences had three or four re-inforced tankers,
18 it was suggested we approach them to charter them and
19 we had the most comforting answer from Mr. Irving that
20 one re-inforced tanker was being designed by his interests
21 and that, of course, we could not request that it should
22 be built in the Quebec shipyard but it may be in the
23 Saint John. That means that probably this ship will be
24 in service not next winter but in a very short time.
25 This is a very important point to our economies on
26 account of what might have been considered in the past,
27 we think that this is an item, a very definite item of
28 friendship in the valley of the St. Lawrence up to Quebec
29 City.
30

THE CHAIRMAN: Thank you, gentlemen, for
coming here. We have to consider all aspects of



1
2 transportation and we do recognize the part that the
3 railways play but the trucks and water and air also
4 play a part and we must give consideration to them.
5 Thank you very much.

6 MR. BERTRAND: Thank you very much. On behalf
7 of our Bureau I would like to thank you and the
8 Commissioners and all the counsel for the fairness of
9 all the questions and the spirit of understanding that
10 came with it.

11 THE CHAIRMAN: Mr. Hume, having regard to the
12 fact that it is now ten minutes to twelve, perhaps it
13 would be best if you start your brief at 2 o'clock.

14 MR. HUME: I have about five minutes of
15 preliminaries, and if you would like me to do so, I would
16 be very glad to dispose of the preliminaries and then we
17 can start in at 2 o'clock.

18 THE CHAIRMAN: Very well.

19 MR. HUME: Mr. Chairman and honourable members
20 of the Commission, before commencing the presentation
21 of our submission, there are three things that I should
22 like to do which will only take me the few minutes avail-
23 able before lunch. The first is to introduce or to
24 advise the members of the Commission that in the submission
25 that has been filed with the Commission that there have
26 occurred a few errors which have been picked up in review.
27 Rather than take the time of the Commission in reading
28 these errors into the record, they will be corrected as
29 the submission is presented and I would like to give the
30 Secretary several copies of this list so that those who
have the brief may put in the necessary corrections.



1
2 These are largely errors of a typographical or spelling
3 nature.

4 The second thing I would like to do is to
5 place on the record a correction or some corrected infor-
6 mation that arose out of some figures placed before the
7 Commission in Halifax to which Mr. Commissioner Mann
8 had reference. Unfortunately I was not there myself but
9 the submission was presented, the regional submission was
10 presented at Halifax on November 13, 1959, and commenced
11 at page 779 of volume 6. At the bottom of that page
12 there is reference to a table which, however, was not
13 taken into the record, possibly because Mr. Mann had
14 indicated there were certain errors in it. I would
15 like to very briefly read into the record the corrected
16 table, so it is on the record. As corrected it reads
17 as follows:

18 RAILWAYS

19 in thousands of ton-miles

20 Agricultural Products	26,425
21 Animals and Animal Products	9,871
22 Mine Products	425,315
23 Forest Products	184,944
24 Manufactured Products and	
25 Miscellaneous	400,134
26	<hr/>
27	1,046,689

28 The third thing I should like to do is to
29 introduce the gentlemen who will be presenting the sub-
30 mission on behalf of the Canadian Trucking Associations
and I would first of all like to introduce Mr. John A. D.
Magee who is Executive Secretary of Canadian Trucking



1
2 Associations Incorporated. Mr. Magee is a resident of
3 Ottawa where the Association has its head office.

4 Mr. Magee was educated at Upper Canada College in Toronto
5 and at Appleby College in Oakville. He joined the staff
6 of Canadian Trucking Associations in January, 1947, in
7 Toronto as Director of Public Relations and in September
8 of that year was appointed Executive Secretary, the
9 position he now holds. He has appeared as spokesman
10 for the Canadian Trucking Associations for previous
11 Royal Commissions and parliamentary boards and commissions.
12 Starting at 2 o'clock Mr. Magee will present the brief
13 on behalf of the Canadian Trucking Associations.

14 The second gentleman I would like to introduce,
15 who will be available for cross-examination is
16 Mr. George B. Montague who is sitting on my right.

17 MR. SINCLAIR: Where is he from?

18 MR. HUME: If Mr. Sinclair will just be
19 patient he will soon find out. Mr. Montague is with
20 Applied Research Associates which is a firm of consulting
21 economists and who have assisted C. P. A. in the prepar-
22 ation of this brief. And now for the part that
23 Mr. Sinclair is waiting for so anxiously; he is a graduate
24 of the University of Manitoba in economics and he holds
25 the degree of Bachelor of Arts.

26 THE CHAIRMAN: We have been plagued with
27 Manitoba.

28 MR. HUME: He is a graduate of the Manitoba
29 Law School and holds the degree of Bachelor of Law and
30 a member of the bar in the province of Manitoba and also
Ontario. Mr. Montague also holds a certificate in



1
2 business administration from the London School of
3 Economics and when the brief is submitted and any questions
4 arise with respect to the economic aspect of the brief,
5 Mr. Montague will be available to answer those questions.
6 Now we can commence at 2 o'clock if that is satisfactory.

7 THE CHAIRMAN: Yes, Mr. Magee will be on at
8 2 o'clock.

9 ---Luncheon adjournment.
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---On resuming at 2.30 p.m.

SUBMISSION OF
CANADIAN TRUCKING ASSOCIATIONS, INC.

Appearances:

Mr. M. Magee Executive Secretary

MR. F. R. Hume Counsel

* * * * *

THE CHAIRMAN: Very well, Mr. Hume.

MR. HUME: Mr. Magee, in making your submission would you be good enough to explain the organization and importance of Canadian Trucking Associations.

MR. MAGEE: Mr. Chairman and Commissioners, Canadian Trucking Associations deeply appreciate the opportunity of submitting the views of the trucking industry on the problems before your Commission.

The Association is the national federation of provincial trucking associations. Our submission has been unanimously endorsed and authorized by all of the provincial associations, as follows:

Maritime Motor Transport Association

Trucking Association of Quebec

Automotive Transport Association
of Ontario

Manitoba Trucking Association

Saskatchewan Trucking Association

Alberta Motor Transport Association

Automotive Transport Association
of British Columbia

Active membership in provincial trucking



1
2 associations comprises:

- 3 (i) "For hire" intercity carriers, whose operations
4 include city pick-up and delivery;
5 (ii) "For hire" cartage operators, providing
6 local transport within urban areas;
7 (iii) Privately-owned trucking fleets.

8 The majority of the active members of the
9 provincial associations consists of "for-hire" intercity
10 carriers, and it is this part of the Canadian trucking
11 industry which is affected by your terms of reference.

12 MR. HUME: Now, will you please outline the
13 interest of the trucking industry in Canada in this
14 inquiry?

15 The transportation industry is affected, to a
16 very large degree, by government policies resulting in
17 direct or indirect subsidization, regulation, or taxa-
18 tion of carriers. Furthermore, almost any action of
19 the government which affects one of the competitive
20 transport industries is bound to affect other industries
21 providing identical, similar or even dissimilar trans-
22 port services.

23 Transport industries in this country are
24 both complementary and competitive. Certain types of
25 traffic are more suited to one mode of transport than
26 to another. On the other hand, there are types of
27 traffic for which two or more transport industries
28 compete. It is impossible to establish an a priori
29 division of "spheres of influence" of different transport
30 industries -- it is impossible to define once and for all



1 certain conditions which would make a particular traffic
2 an exclusive preserve of highway, railway, or water
3 transport. The complexities of the economics of
4 traffic movement resulting from interdependence of
5 such factors as length of haul, size of shipment, loading
6 characteristics, speed requirements and directional
7 imbalance would frustrate any attempt at a neat classifi-
8 cation of transport markets. In additionl to these com-
9 plexities, the very existence of technical progress on
10 one hand, and changes in cost patterns on the other, make
11 any statement true today liable to be outdated tomorrow.

12 The market for transport services in Canada
13 is either actually or potentially competitive; therefore,
14 any policy which affects any one of the transport
15 industries must affect all of the others. This state-
16 ment is particularly true of the railway and highway
17 transport industries. The extent and the growth of
18 rail-truck competition is one of the major factors in
19 the Canadian transport scene. Therefore, Canadian
20 Trucking Associations considers it its duty to appear
21 before this Commission to present the views of the
22 "for hire" trucking industry, and to assist the Com-
23 mission in examining the effects which any recommended
24 policy may have on highway transport and on the numerous
25 industries highway transport is serving.

26 MR. HUME: What are the views of your
27 Association with respect to the development of a
28 satisfactory transport system?

29 A. Development of a sound and economic
30



1 transport system is one of the major conditions of this
2 country's economic growth and cohesion. The changing
3 structure of Canadian transport makes a periodic review
4 of transport problems a necessity if the national trans-
5 port policies are to keep pace with economic changes.
6 However, the basic problem which has faced all Canadian
7 transport inquiries in the past, and which faces this
8 Royal Commission, is inherent in the geography of the
9 country and the different competitive positions of the
10 various regions as far as their access to markets is
11 concerned. Every increase in transport costs is bound
12 to have its greatest effect upon the areas located
13 furthest from the markets. Also, the different levels
14 of prosperity and rates of growth of our various areas
15 affect the development of their local markets. These
16 matters are facts of geography and economics, and they
17 can be neither ignored nor changed, although some of the
18 ill-effects can be modified or counterbalanced.

19
20 Canada's transport policy has been associated
21 particularly with this problem of geography. Although
22 access to major markets is important to the economic
23 development of different areas of the country, it is
24 not, however, the only factor determining the economic
25 growth or level of general prosperity. The adverse
26 effects of rising costs of access to major markets may ,
27 be compensated by other developments which would im-
28 prove the competitive position of the producers -- or
29 consumers -- in the so-called "peripheral areas" of the
30 country. The problems of each area have their own



1
2 special characteristics, and often require specific
3 solutions. Therefore, it is difficult -- if not impos-
4 sible -- to develop one single doctrine which, if applied,
5 could correct the economic difficulties of the various
6 areas of Canada.

7 In the transport field, however, it appears
8 to us that certain general problems may be defined and
9 that general principles for developing a solution to
10 those problems may be established.

11 MR. HUME: What are the views of Canadian
12 Trucking Associations on some of the problems of
13 transportation in Canada?

14 A. In our opinion the major problems facing
15 Canadian transportation today are:

16 (i) The secular tendency towards higher costs
17 is reflected in the general trend towards
18 higher rates, which naturally produces a
19 heavier relative burden on longer-haul
20 traffic.

21 (ii) The general tendency towards higher costs
22 has been partially counterbalanced by the
23 results of technological progress. The
24 impact of higher costs and technological bene-
25 fits has been different in different trans-
26 port industries and, as a result, there has
27 been a shift of competitive advantages, which,
28 in turn, has made the old established pattern
29 of transport services obsolete; has created
30 stresses and strains on older forms of



1 transport, notably the railways; and has
2 affected certain communities and regions.

3 (iii) The increase in the extent and scope of
4 competition in transport has produced sig-
5 nificant benefits to consumers in terms of
6 better service and lower rates. Thus, the
7 increase in competition has been the strong-
8 est countervailing force to the general ten-
9 dency of rate inflation. The preservation
10 and further spread of these competitive
11 benefits has thus become a desirable factor
12 in national transport policy.

13 (iv) The changing structure of Canadian transport
14 and the emergence of new competitive elements
15 require a revaluation of the methods which
16 can best assure the realization of the
17 constant and paramount aims of national
18 transport policy: efficiency and soundness
19 of transport systems, promotion of national
20 economic cohesion, and achievement of high
21 and more uniform levels of prosperity
22 throughout the country.

23 As we see them, these are the problems which are before
24 the Commission.

25 Q. In the view of Canadian Trucking
26 Associations are there any fundamental principles on
27 which to proceed towards a solution?

28 A. We believe that fundamental principles
29 on which to base solutions to national and regional
30



1
2 transport problems should be:

- 3 (i) Efficiency: the assurance that the full
4 service potential of all transport media
5 will become available at least cost
6 to the consumer and at the least long-run
7 cost to the taxpayer.
- 8 (ii) Encouragement and preservation of competition;
9 since competition in itself is the most potent
10 factor in assuring maximum economy of
11 operations and maximum choice to the
12 customer it should be encouraged, and, if
13 endangered by potentially monopolistic prac-
14 tices, it should be protected. In no way,
15 either directly or indirectly, should the
16 development of competition in transport be
17 blocked.
- 18 (iii) The geographical and economic handicaps of
19 the outlying regions of the country should
20 be alleviated as far as possible and at
21 minimum long-term cost to the taxpayer.
22 Any assistance, direct or indirect, must be
23 aimed only at helping the consumer or the
24 producer in the regions where such assis-
25 tance is deemed necessary.

26 Canadian Trucking Associations maintains
27 that the specific goals of the Canadian trucking industry
28 are consistent with what we believe are the sound
29 principles on which national transport policies should
30 be based. Our aim is to assure that the trucking



1 industry is treated fairly and that it is permitted to
2 develop to the full extent that its natural competitive
3 advantages will allow. We shall endeavour to demon-
4 strate that the effects of the trucking industry's entry
5 into the field of Canadian transportation has been bene-
6 ficial to the consumer and to the producer both by in-
7 creasing the scope of transport services and by causing
8 competitive reductions in the general level of rates.
9 Furthermore, we shall demonstrate that competition in
10 the transport industry has a continuing history of
11 growth both in the range of products carried under com-
12 petitive conditions and the length of haul. Although
13 the competitive potential of our industry has been
14 growing and in all likelihood will continue to grow
15 in the future, this situation must be protected by the
16 avoidance of any discriminatory subsidy policy in
17 respect to transport and by the prevention of any pos-
18 sible monopolistic action by other forms of transport.
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23

24 (Page 10517 follows)
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1
2 Q. Now, Mr. Magee, the next section of your
3 submission deals with the trucking industry. Would
4 you be good enough to give this Commission an economic
5 assessment of the trucking industry.

6 A. In this section of the submission, we will
7 present an economic assessment of the trucking industry,
8 its importance, its inherent advantages and problems.

9 The presentation of the trucking industry's
10 economic picture is seriously handicapped by the relative
11 paucity of reliable statistical data, a fact which results
12 largely from the complexity of the industry's structure
13 and its relative "youth". This statement must be
14 qualified, however, by pointing to very good progress
15 which has recently been made by the Dominion Bureau of
16 Statistics, where work on the improvement of trucking
17 statistics has received the full co-operation of the
18 trucking industry and its associations, provincial and
19 national. Another problem facing us in the difficulty
20 of applying to an analysis of the trucking industry some
21 of the concepts developed for railway transport. This
22 makes it difficult to produce a more satisfactory indices
23 of our industry's importance and progress.

24 It cannot be stressed too strongly that the
25 trucking industry in Canada is a fast developing industry,
26 with its structure constantly changing. Therefore, any
27 analysis of the industry must necessarily be conducted
28 in terms of "economic dynamics" -- a heavy stress must
29 be put on the development of trends over time, rates of
30 growth, and analysis of factors generating change.

As a starting point of our analysis, we should



1
2 like to quote from a recently delivered paper on
3 "Statistics and the Study of Road Transport" by G. A.
4 Wagdin, Director, Public Finance and Transportation
5 Division, Dominion Bureau of Statistics, Ottawa, prepared
6 for the 40th Annual Convention of the Canadian Good Roads
7 Association, September 22-25, 1959, at Vancouver. In
8 this paper, Mr. Wagdin states:

9 "Up until 1947, railways carried the largest tonnage
10 of goods of any type of transport in Canada. In
11 that year railways moved 176 million tons in compari-
12 son with 161 million shipped by trucks over high-
13 ways. However, between 1947 and 1952 railways
14 lost this lead to truckers. By 1952 road
15 transport moved 226 million tons compared with the
16 railway total of 185 million and by 1957 trucks
17 were hauling 294 million tons while railways moved
18 197 million tons. In relation to the total amount
19 of goods transported in Canada during 1957, rail
20 accounted for 31 per cent while road equalled 46
21 per cent."

22 Out of this tonnage, 126,262,000 tons were
23 carried in 1957 by "for-hire" trucks. Tonnage of
24 freight moved by "urban" trucks does not appear to have
25 been included in the figure of 197 million tons moved
26 by truck.

27 Q. Now, Mr. Magee, I understand that there
28 are certain objections to measuring development by
29 weight alone. Would you just indicate what those
30 objections are?

A. Yes, Mr. Hume.



Admittedly, the weight of goods carried is not a fully satisfactory measure of work performed by a transport industry. Distance is, of course, another factor. Therefore, a ton-mile measure, being a combination of both weight and distance, may appear to give a better indication of work performed. On the other hand, the ton-mile measure, which is recognized as the best indicator of output of any transport industry, and which is quite suitable as an index of output changes of the industry or any particular part of it, has severe limitations if it is used for the comparison of outputs of two dissimilar transport media, each with its own particular service patterns. Ton miles performed are an indicator of the net output of the industry; this does not necessarily correspond to the value of the product which different transport industries sell to the customer, or to the production unit of different industries.

Q. Would you please explain further by reading in the foot-note?

A. Yes. By way of further explanation, the production unit of the railways is a car-mile, which is considerably larger than the production unit of highway transport, which is a truck-mile. A shipment which represents a full truckload to a highway carrier represents less-than-carload to a railway. From the customer's point of view, a unit of sale is a shipment from the point of initial origin to the point of final destination, scheduled to move within a certain time limit, even if such a time limit is only implicit in the contract of carriage.



1
2 Q. What about comparing operating revenues?

3 A. If conditions of perfect competition existed
4 in transportation, the comparison of operating revenues
5 of different forms of transport would reflect the con-
6 sumers' valuation of true advantages of the services
7 provided. However, in view of monopolistic elements
8 in the rate structure, and certain distortions which
9 exist, operating revenues are only an approximate indi-
cator.

10 This is again Mr. Wagdin's speech.

11 "Operating revenues for the total "for-hire"
12 trucking industry in Canada which first became
13 available in 1957 amounted to 381 million dollars.
14 This is about one--third of railway operating
15 revenues from freight and express services which
16 amounted to 1.1 billion dollars in that year."

(Wagdin, Op. cit. P.11)

17 If ton-mile figures were used to describe the
18 relative levels of physical production of trucking and
19 railways, the following picture would be presented:
20 Railways in 1957 produced 71,047 millions of ton miles,
21 "for-hire" trucks in the same year produced 4,667 millions
of net ton miles.

22 Thus, using the three indicators of the relat-
23 ive importance of rail and truck transport, the following
24 results are produced:



1957, RAILWAY AND TRUCK TRANSPORT IN CANADA

Indicator	Railways	Trucks (<u>'for-hire'</u>)	Trucks as % of Railways
Tonnage handled (<u>'000 t</u>)	197,010	126,262	64.5
Freight Revenues (<u>\$'000,000</u>)	1,100	381	34.6
Ton-Miles (<u>'000,000</u>)	71,047	4,667	6.6

Source: Wagdin, Statistics and the Study of
Road Transport.

Even a cursory examination of the above-noted indicators shows the inadequacy of any one of them, taken separately, for the purposes of inter-industry comparisons.

Q. What historical data is available to complete this picture?

A. No historical series are available for the 'for-hire' trucking industry which would make it possible to establish long-term trends. The best estimates available today are contained in Mr. Wagdin's paper. For the purpose of tracing road transport's development, Mr. Wagdin used data combining 'for-hire' and private intercity trucks. If such estimates are used for tracing the growth of commercial road carriers, the result produced would tend to under-estimate the growth of commercial trucking. With these qualifications, the results of such estimates converted into an index are produced below:



GROWTH OF ROAD AND RAIL TRANSPORT IN CANADA
1947 = 100

<u>Year</u>	<u>Freight Carried (tons)</u>		<u>Ton-Miles Produced</u>	
	<u>Railways</u>	<u>Trucks</u>	<u>Railways</u>	<u>Trucks</u>
1947	100	100	100	100
1952	105.4	140.9	113.8	206.6
1957	112.2	182.9	118.1	247.8

Source: Indexes calculated from data contained
in G. A. Wagdin, op. cit.

The following comments should be made on these results:

i. 'For-hire' trucks in 1957 represented 43 per cent of the total tonnage carried by all trucks, excluding private urban;

ii. 'For-hire' trucks in 1957 represented 56 per cent of ton-miles carried by all trucks excluding private urban;

iii. The greater growth of ton miles produced than tons carried indicates the increase in the average length of haul.

The estimate of the trucking industry's recent growth can be obtained only from the five provinces for which the Dominion Bureau of Statistics has conducted traffic surveys since 1956.

Q. Will you give those five provinces?

A. Those five provinces are British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Q. Thank you.



A. Those five provinces represent together more than three-quarters of the trucking industry's output and therefore can be regarded as a fair indicator of the industry's growth trends. Furthermore, by taking all the traffic -- traffic generated inside and outside of the provinces -- an even larger coverage is achieved, which makes the trends developed more representative. For example, Ontario traffic figures for intra- and interprovincial traffic, also reflect traffic carried by Ontario registered trucks in Quebec, the maritimes, etc.

The tables below present the results:

A. Average Distance Travelled

An increase in the average distance travelled indicates the relative increase in the competitiveness of trucking for medium or even long-haul traffic. It must be remembered that the average distance is not equivalent to the maximum distance of truck operations. In Ontario, for example, concentration of population and industry within a short radius of the main centres weighs the average down.

AVERAGE LENGTH OF HAUL
(in miles)

<u>Province</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
British Columbia	35.6	34.4	43.2
Alberta	49.9	47.7	57.6
Saskatchewan	147.2	153.0	178.5
Manitoba	184.7	177.7	268.3
Ontario	53.0	56.8	64.1



A better picture of long-haul traffic is given by a summary of average length of haul of interprovincial and international movements.

AVERAGE LENGTH OF HAUL INTERPROVINCIAL AND INTERNATIONAL TRAFFIC. 'FOR-HIRE' TRUCKS.
1958

Province	Products of Agriculture	Products of Animals and Animal Products	Mine Products	Forest Products	Manufacturers and Miscellaneous	Nos. General Freight	Total all Commodities
B. C.	529.2	840.9	--	160.8	540.9	591.1	535.4
Alta.	309.8	1,799.0	--	239.6	841.3	1,247.1	1,036.8
Sask.	285.3	392.0	--	409.3	592.8	301.0	387.5
Manitoba	1,199.8	719.1	--	240.0	754.8	537.5	663.8
Ontario	544.5	1,100.6	142.5	149.9	444.6	518.5	498.0
Quebec	241.4	668.3	239.3	127.2	319.5	314.3	324.9
Atlantic							

Source: Dominion Bureau of Statistics, Motor Transport Traffic Statistics.



The above table indicates strongly that trucking can no longer be regarded as a short-haul industry. The impact of truck competition, either actual or potential, is spread over a wide range of commodities, some regarded as low valued commodities, and over a wide range of distances. As shown in the previous table, the average length of haul has been steadily increasing. Consequently, the impact of trucking on medium and long haul traffic markets must necessarily increase.

Another approach to the problem of measurement of the impact of the trucking industry on medium and long haul traffic markets is through the comparison of the average length of haul of railway traffic carried under agreed charges. As agreed charges are, to a large extent, a result of trucking competition, the table which follows, showing the increase in the average length of haul of traffic carried under agreed charges, confirms the increase in the length of haul in the trucking industry, although it is to be noted that other factors have also contributed to the increase in the average agreed charge length of haul.

AVERAGE LENGTH OF HAUL OF RAILWAY
TRAFFIC CARRIED UNDER AGREED
CHARGES, 1949-1958

<u>Year</u>	<u>Average length of haul miles</u>
1949	94
1951*	96
1952	111
1953	134
1954	207
1955	319
1956	324
1957	375
1958	348



*January, April, July sample

Source: Canada, Board of Transport Commissioners,
Waybill Analysis, 1949-1958.

B. Average Load

The significance of the average load statistics is that they indicate the trend towards using larger and more efficient equipment. Average load is, therefore, one of the indicators of cost reducing trends. From the general public's point of view, this trend is reflected in the increasing price competitiveness of the trucking industry, and the extension of the range of traffic for which trucks compete with the railways.

AVERAGE LOAD TRENDS: INTERPROVINCIAL AND INTRA-PROVINCIAL TRUCK MOVEMENTS, SELECTED PROVINCES, 1956-1958

(in tons)

<u>Province</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
British Columbia	7.5	9.5	8.8
Alberta	8.4	9.4	10.2
Saskatchewan	8.1	8.4	9.2
Manitoba	7.3	8.1	9.8
Ontario	9.8	10.1	10.8

Source: Dominion Bureau of Statistics,
Motor Transport Traffic
Statistics.

C. Size of the Firm

The trucking industry has developed from a great number of small firms. Indeed, the typical highway



1
2 carrier during the early era of the industry's
3 development was a small one or two truck operator with
4 a minimum of capital. Today, the driver-operator
5 firm still exists and performs important functions, giving
6 a personalized service and specializing in meeting par-
7 ticular needs of the community it serves. However, other
8 trucking firms have grown considerably, through re-
9 investment of profits, amalgamations and financing. In
10 fact, the spectacular growth of the trucking industry
11 would not be possible without the growth of larger
12 trucking operators. In order to compete for long distance
13 and high density traffic, a large organization is neces-
14 sary. In order to cut costs and become price competitive
15 with the railways, the trucking industry has had to
16 become very efficient and attempt to realize all
17 potential economies.

18 From the customer's point of view the growth
19 in the size of the firm has brought not only advantages
20 of increasing range of services and lower rates but also
21 important improvements in the quality of service, namely
22 speed of handling, frequency of service and reliability.
23 If potential competitive developments in transport are
24 considered, the growth in the scale of highway operations
25 must be appreciated. (This does not imply that small
26 companies are necessarily less efficient; on the con-
27 trary, a number of very efficient firms exist, operating
28 important regional services whose size, as measured in
29 terms of annual gross revenue, is in the range of
30 \$100,000 - \$250,000. In view of the heterogeneity of
the industry it is impossible to state that a certain



size of firm is necessarily optimum. It is possible to say, however, that the growth of large firms permitted the industry to offer with increased efficiency a wider range of services.

In the following tables, an attempt will be made to present some objective indicators of the growth of trucking firms in capacity and capitalization.

FLEET CAPACITY, COMMERCIAL TRUCK
OPERATIONS - 1946 - 1957

Year	Number of Carriers Reporting (1)	Total Estimated Fleet Capacity Tons (2)	Average Capacity per Trucking Firm Tons
1946	467	43,811	9,381
1947	510	51,819	10,161
1948	597	55,567	9,308
1949	622	60,500	9,727
1950	718	71,480	9,955
1951	810	83,802	10,346
1952	908	103,173	11,363
1953	951	122,256	12,856
1954	848	113,748	13,414
1955	912	128,127	14,049
1956	871	142,632	16,376
1957	768	153,186	19,946

Source: Dominion Bureau of Statistics,
Motor Carriers, Freight-Passenger,
1946-1955, and Motor Carriers, -
Freight, 1956 and 1957.



(1) Carriers with gross annual revenues of over \$20,000. Due to annual variations in statistical coverage, total figures are less reliable than the derived averages. On the other hand, due to an improvement in coverage, the trends thus derived tend to under-estimate the growth of the average firm.

(2) Estimated from Dominion Bureau of Statistics.
Op. Cit.

Further analysis of fleet capacity figures reveals that with the increase in fleet capacity a definite shift in fleet composition has taken place, the importance of semi-trailers and trailers increasing relatively to that of trucks.

CHANGE IN FLEET COMPOSITION, 1946-1957

<u>Year</u>	<u>Total estimated capacity of report- ing carriers Tons</u>	<u>Estimated capacity of trailers and semi-trailers Tons</u>	<u>Trailers and semi-trailers as % of the total %</u>
1946	43,811	26,083	59.5
1947	51,819	32,016	61.8
1948	55,567	33,041	59.5
1949	60,500	37,136	61.4
1950	71,480	46,162	64.6
1951	83,802	57,169	68.2
1952	103,173	72,838	70.6
1953	122,256	92,788	75.9
1954	113,748	88,859	78.1
1955	128,127	100,255	78.2
1956	142,632	113,805	79.8
1957	153,186	124,583	81.3



1
2 Source: Estimates derived from Dominion
3 Bureau of Statistics, Op. Cit.

4 The significance of the analysis is this:
5 Trailers and semi-trailers are the only equipment which
6 can be used for economic long haul movement; their
7 increase, both in absolute and in relative terms,
8 indicates the growing ability of highway operators
9 to engage in long distance traffic. Thus the
10 statistics indicating changing composition of the fleet
11 confirm independently the previously quoted data on the
12 increasing length of haul.

13 The increase in fleet capacity is not the
14 only factor in over-all increase of efficiency and growth
15 of a modern trucking firm. In addition to the vehicles,
16 considerable investments have been made in terminal and
17 warehousing facilities, as well as in overhaul and
18 maintenance facilities. In those two fields, large
19 economies of scale are pronounced and possibilities of
20 improving service are particularly great.

21
22
23 (



In addition to analysis of available statistical data, intensive field studies have been conducted by Canadian Trucking Associations, the results of which are presented in an Appendix to this submission; broadly, they confirm the trends derived from the statistics presented here.

The table below presents the increase in capital invested in an average trucking firm; averages again are being used in order to indicate the growth of trucking enterprises, as well as to eliminate distortions due to varying statistical coverage.

INVESTMENT IN TRUCKING INDUSTRY

Year	Gross Investment per Firm	Gross Investment per Employee
	\$	\$
1946	52,696	4,060
1947	59,416	2,612
1948	59,724	2,658
1949	67,624	2,892
1950	74,855	3,431
1951	80,707	3,903
1952	90,720	4,185
1953	110,695	4,985
1954	125,624	5,548
1955	145,457	5,939
1956	175,239	6,406
1957	222,048	6,728

Source: DBS, Motor Carriers - Freight Passengers

Note: Data relate to carriers with revenues of \$20,000 per annum and over.



1 Growth of the Industry: A number of miscon-
2 ceptions exist as to the pattern of growth shown by the
3 trucking industry, and the reasons for its growth. It
4 is sometimes alleged that the industry developed because
5 of the over-pricing of railway services on high-valued
6 commodities, an over-pricing necessary to carry low-value
7 traffic. This is, of course, the "creaming the traffic"
8 argument. This argument cannot be accepted. Those who
9 use it as an explanation of the development of highway
10 transport commit an injustice not only to the trucking
11 industry, but to the railway regulatory agency and rail-
12 way managements. The fact is that the fastest growth
13 of long-distance trucking has taken place during a
14 period when the railways and their regulatory agency
15 were perfectly aware of the competitive position of
16 highway transport, and when the railways were meeting this
17 competition with competitive rate cuts of all des-
18 criptions.

19 The development of the trucking industry can
20 be ascribed to the emergency of new traffic markets which
21 the railways have not been able to service fully. The
22 trucking industry introduced a new range of transport services
23 which often "created their own market." Initially, the industry
24 developed in order to serve small communities and short-
25 haul traffic. With lower terminal costs, and less time
26 needed for the terminal handling of traffic, the cost
27 advantages of trucking were obvious; combined with the
28 personalized service element, they resulted in the
29 industry taking an increasing share of the short-haul
30 and low-density traffic. In many instances, no competition



1 from the railways even existed, the trucks serving lo-
2 cations with no, or only indirect, railway connections,
3 or plants located away from the railway lines. In
4 turn, the development of highway transport resulted in
5 an increasing number of plants being located on the
6 highways, away from the main railway lines.

7
8 Nevertheless, even at this stage, the railways
9 had a number of important advantages. These advantages
10 derived from the existence of railway facilities already
11 developed and geared to railway handling. Thus,
12 situations have existed, and still exist, in which the
13 use of railway services has prevailed only because the
14 existing facilities have been developed during the time
15 when the railways enjoyed a monopoly and despite the
16 fact that the type of service, length of haul and all
17 other cost considerations made such services uneconomic.
18 An example of such a situation exists in respect to
19 certain grain elevators at eastern Canadian harbours ser-
20 ving flour mills within a few miles -- a service range
21 of local cartage truck operators. Although truck
22 operations have, in these cases, an indisputable economic
23 advantage, the existing practices favour the use of
24 the railways -- as an example, the service charge for
25 unloading grain to trucks in Montreal is higher than
26 for railway cars, a situation which has been the subject
27 of Canadian Trucking Associations representations to
28 the Board of Grain Commissioners. Even so, the use of
29 trucks is continuously increasing, especially when new
30 facilities are built that reflect the basic change in the



1 transport scheme.

2
3 These factors are mentioned as an illustration
4 of the natural time lag between the arrival of the truck-
5 ing industry and overall adjustments which have made
6 it possible to utilize fully its advantages. It is
7 important to note, however, that in spite of the
8 established facilities, procedures, and ways of thinking,
9 the trucking industry, in the long run, is able to sell
10 freight transport to the customer on the basis of its
11 service -- and often cost -- advantages.

12 The advantages of the trucking industry are
13 not confined to the short haul. On the medium haul
14 movements, trucks can offer a significant time-saving
15 advantage. Within a radius of operation in which
16 trucks can offer overnight delivery, they can compete
17 on the basis of speed with any other form of transport;
18 even if air cargo is a few hours faster, terminal to
19 terminal, this time saving is not particularly relevant
20 if highway transport can meet the basic requirement of
21 the customer, namely a door-to-door movement between
22 the time of the closing of the plant for the day and its
23 opening the next morning.

24 Q. What about the long-haul advantages, Mr.
25 Magee?

26 A. The long-haul trucking advantages are
27 less obvious, although equally real. In this exposi-
28 tion we define "long-haul" as a haul longer than that
29 which can be handled within twelve hours, door to door.
30 On some movements, trucks still command a significant



1 speed advantage and if no direct railway connections
2 exist which enable the traffic to be handled expeditiously,
3 these speed advantages can exist over very long hauls
4 indeed. Secondly, on some of the movements trucks offer
5 service at lower cost. This statement may sound sur-
6 prising, in view of the low costs of railway transport
7 over long distances. Yet, important cost saving factors
8 exist even here. Some of the cost savings may relate
9 to the packing of goods; in view of the normally lower
10 rate of damage of goods in transit, freight sent by high-
11 way vehicles needs less protective packing, or arrives
12 in better shape. Long distance movements of automobiles
13 are a good example of this factor; long distance movements
14 of livestock are another. An additional class of
15 savings relates to lower costs of terminal handling,
16 or less reloading of goods in transit. Some of the
17 bulk shipments are an example of this factor. Availa-
18 bility of specialized equipment is another factor which
19 makes truck shipments economic over very long distances;
20 an example of this is the very long hauls of frozen fruit
21 juices. Furthermore it must be remembered that even
22 large trailers are smaller than railway cars. Thus,
23 maximum economy of truck movement may be achieved with
24 a smaller individual shipment -- a truckload. This
25 is a significant factor when continuous movement of
26 smaller shipments may be more economical to the shipper
27 than less frequent larger shipments.
28

29 The existence of long-haul advantages on some
30 movements also broadened the scope of truck services as



1 relating to other services. For example, it if pays
2 a customer to ship by truck commodity X from A to B,
3 commodity Y may be shipped from B to A on back-haul rates.
4

5 The problem of developing a long-haul market was
6 largely a problem of overcoming the inertia created by
7 the existing facilities, established methods, and lack
8 of confidence in the new industry. In this respect, the
9 early 'fifties produced a major break-through. The more
10 competitive market situation arising after the end of the
11 Korean war forced some businesses to look for new
12 economies; the services of the trucking industry could
13 produce overall savings and those services were more
14 readily experimented with and accepted. The nation-
15 wide railway strike in August, 1950, resulted in an
16 unexpected and unparalleled test of the abilities of
17 highway transport and many shippers who tried trucking
18 as an emergency service discovered unknown advantages
19 of truck transport and decided to use it more exten-
20 sively.

21 Q. What did the strike produce in east-west
22 long-haul trucking, Mr. Magee?

23 A. Well, prior to the railway strike in 1950,
24 I don't think there was a single long-distance freight
25 hauler operating between eastern and western Canada.
26 There had been some furniture movements, but the movement
27 of freight between the east and west and the growth of
28 the long-distance east-west truck hauls was a movement
29 which began immediately after the railway strike.

30 Highway improvements; introduction of larger



1 trailers; greater maturity of trucking firms, whose
2 reliability became recognized; cost saving developments
3 within the trucking industry itself; all of these factors
4 combined to produce a break-through for the industry in
5 the 'fifties.

6
7 These changes are difficult to illustrate
8 statistically as they are more of a qualitative than
9 quantitative nature. However, all indications from our
10 observance of the industry are that, in spite of com-
11 petitive policies of the railways, the trucking industry
12 has been developing and gaining increasing public
13 acceptance on straightforward economic grounds during
14 the last decade. It would appear that the industry
15 has not yet fully developed its market potential, a
16 great number of potential customers remaining tied to
17 the railways because of established facilities geared
18 to railway transport. Any further development, however,
19 is likely to have far-reaching effects. Once one member
20 of a group of potential shippers successfully uses long
21 distance trucking services, other potential shippers
22 in the same general situation follow. Newly constructed
23 facilities take cognizance of the existence of trucking
24 with an increasing traffic market being opened to our
25 industry.

26 Although precise measurements of long-term
27 growth of the industry are not available for an extended
28 period of time, the traffic figures published for five
29 provinces for the years 1956-1958 provide some indication
30 of the rate of the industry's growth during recent years.



'For-Hire' Truck Operators; Intra-Provincial, Inter-provincial and International Traffic
Total Freight Moved
('000 tons)

<u>Province</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
British Columbia	10,364	17,252	12,547
Alberta	19,230	21,352	27,294
Saskatchewan	1,587	1,694	1,912
Ontario	43,425	46,843	64,212

Ton Miles Produced by 'For-Hire' Truck Operators,
Intra-Provincial, Interprovincial and Inter-national Traffic
('000 ton-miles)

<u>Province</u>	<u>1936</u>	<u>1957</u>	<u>1958</u>
British Columbia	368,913	594,118	541,869
Alberta	959,176	1,018,075	1,572,082
Saskatchewan	220,096	339,710	439,126
Manitoba	293,044	300,860	512,985
Ontario	2,300,263	2,547,166	4,113,548

Source: Dominion Bureau of Statistics,
Motor Transport Traffic
Statistics.

The impact of railway competition on these groups differs. This does not imply that a trucking firm, or a group of firms, which is not too much affected by railway competition, is not affected by it indirectly. Furthermore, the economics of trucking firms is such that different lines of business are often complementary, one line of activity using the same facilities as another. Therefore, a decline in traffic volume in a "competitive" line may have very profound effects on costs -- and ability -- of handling "non-competitive" traffic. These



1 facts, which are true of railway enterprises, apply also
2 to large sections of the trucking industry.

3
4 The second general observation relates to the
5 often misunderstood structure of a trucking firm. It
6 is often assumed that a trucking firm is a perfectly
7 flexible enterprise, composed of little more than a few
8 trucks or tractor-trailers. In fact, most trucking
9 firms have had to create a permanent and costly "super-
10 structure" of administrative and terminal facilities
11 in addition to overhaul shops, etc. Administrative
12 and terminal costs may be as high as 20 per cent of
13 total expenses, in some cases even more. In addition,
14 the "line expenses" or "transport expenses" -- the
15 costs of keeping the equipment moving on the road --
16 contain an important element of fixed route costs. These
17 overheads tend to be higher as service becomes more
18 regular. Some companies operate regular scheduled
19 services between different points. Other companies
20 maintain a suitable reserve of equipment to handle
21 peak traffic of their customers.

22 Generally speaking, long-haul operations need
23 a substantial organization, carrying with it sizable
24 overhead costs. The very nature of general cargo
25 requires a fairly elaborate system of billing and ac-
26 counting, which either absorbs a considerable number
27 of clerical staff, or, if the volume justifies it, leads
28 to far-reaching mechanization of these processes. This
29 factor creates a "danger area" in the growth path of a
30 trucking firm. Just before the volume is large enough



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Magee, dir
(Hume)

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1 to justify mechanization, clerical costs tend to grow;
2 after the point of mechanization is reached, excess
3 capacity may be created before further traffic growth
4 fully utilizes all the potential savings. Inevitably,
5 some trucking firms are at present in this "danger area";
6 it is clear that if further growth is frustrated, or if
7 a decline in traffic is experienced by them, their
8 development will be seriously jeopardized. This is not
9 a plea for favourable treatment of the industry but
10 points merely to the dangers of an artificially-pro-
11 duced contraction of highway traffic.
12

13 A similar situation exists in the case of
14 terminal facilities. Here again, as the traffic volume
15 builds up, basic changes in the organization and
16 equipment of terminal facilities are necessary.
17
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1 Consequently, a phase exists in the development of a truck-
2 ing firm when it is forced to mechanize and when a large
3 degree of excess capacity is created. This excess
4 capacity can only be used if the traffic volume con-
5 tinues to grow. In a great number of cases, existing
6 trucking firms could lower their administrative and
7 terminal handling costs with a further increase in
8 traffic; conversely they would find themselves in a
9 rising cost situation if a decline in traffic was ex-
10 perienceed by them. Traditionally, the railway
11 industry has been regarded as a "decreasing-costs-with
12 volume" industry. Therefore, an increase in railway
13 traffic is regarded as beneficial from the point of
14 view of national efficiency; the same situation exists
15 in the trucking industry and, in fact, is often more
16 serious because of the smaller size and greater reliance
17 on few facilities.

18
19 The development of less-than-truckload
20 traffic is particularly vulnerable to the problem of
21 excess capacity. It is obvious that costs per ton
22 handled decline with the size of shipment. A large
23 volume of small shipments creates a problem of growing
24 and expensive handling facilities. Less-than-truck-
25 load traffic requires the existence of a comprehensive
26 pick-up and delivery organization, reloading facilities
27 and accounting system. Yet this is one of the types
28 of traffic in regard to which the trucking industry proves
29 to be definitely more capable of satisfying the demand
30 of numerous, often small, customers, at a lower cost than



1
2 the railways. The economy of this service depends,
3 however, largely on the availability of other types
4 of traffic which can utilize jointly the facilities
5 provided. It is most doubtful whether, without the
6 support from other types of traffic, less-than-truck-
7 load traffic could be handled at the current level
8 of rates. In other words, if less-than-truckload
9 traffic is forced to become the main, or even the
10 only, source of traffic for trucking companies, and
11 if it had to carry the full burden of terminal, sales
12 and administrative costs, a sharp increase of rates
13 would have to follow, which would affect adversely the
14 customers least able to switch to other modes of
15 transport.

16 Q. To conclude this section of your brief,
17 will you say a few words about the specialty carried?

18 A. A brief survey of the specialty carriers'
19 problems indicates the following pattern of development.

20 Some of the traffic exists simply because no
21 other mode of transport offers comparable standards of
22 service and the customer achieves overall savings by
23 using truck services even if such services are more
24 expensive.

25 In some cases, the superiority of trucking
26 service is less firmly established; the railways may
27 match the standards with new or specialized equipment.
28 Such carriers are especially vulnerable to the development
29 of agreed charges, for the agreed charges exclude them from
30



1 handling the traffic for which they invested heavily
2 in specific equipment. The equipment may be useless
3 for any other type of traffic. Such a situation may be
4 even more serious if the carrier concerned had to
5 acquire equipment capable of meeting the peak demands
6 of his customers, which is often the case. It must
7 be remembered too that the same specialty carrier may
8 serve points which, because of the small volume of
9 traffic, or short length of haul, cannot be served
10 efficiently by the railways. Thus, anything which
11 affects the "competitive" part of the carrier's market
12 affects adversely the "non-competitive" part, through
13 higher costs induced by the drastic adjustments to the
14 loss of traffic.

15
16 The strength of the specialty carriers, or
17 bulk operators, lies in the following important fields:

18 (i) Where the quality of the service required
19 is very high, and where existence of a close
20 customer-carrier relationship and opera-
21 tional "know-how" is of paramount im-
22 portance.

23 (ii) Where the delivery, or market points
24 change -- for example, the movement of
25 construction materials to sites -- or where
26 the supply points change, as in the case of
27 an agricultural product which may be shipped
28 from different points during different times
29 of the year.

30 (iii) Where the existence of sudden and large



1 peaks of traffic requires maximum flexibility
2 of operations.
3

4 (iv) Where the traffic density is too low to justify
5 a fully economical railway operation.

6 The most competitive field is the market for
7 standardized traffic on medium and long hauls over heavy
8 traffic routes. On the other hand, this traffic often
9 brings the largest volumes and consequently, due to the
10 volume increase, produces the most important cost savings.

11 Although trucking operations have increased
12 in volume, and the size of the individual firms has
13 also increased, even a large trucking firm may depend
14 for a sizable proportion of its traffic on relatively
15 few accounts. This fact produces certain important
16 consequences; from the customer's point of view it
17 results in much closer liaison between the shipper and
18 the carrier, who, therefore, gears his operations to
19 specific needs of his customer, to an extent not
20 possible in some other forms of transport. Yet from
21 the carrier's point of view such a situation may make him
22 much more vulnerable to sudden competitive shifts over
23 which he has no control and in regard to which -- citing
24 agreed charges as an example -- he has little, if any,
25 hope of obtaining review.

26 Q. Now, Mr. Magee, in the third section
27 which you have just finished you have reviewed and traced
28 the growth of the trucking industry; for the benefit of
29 the Commission will you now in this fourth section discuss
30 the effect of the growth of the trucking industry on



1 railway rates?

2
3 A. In the previous section an attempt was
4 made to analyse and describe the growth of the trucking
5 industry and the increase in the scope of traffic
6 affected by it. In this section the result of this com-
7 petition on railway rates will be presented.

8 A THE TREND IN RAILWAY RATES

9 Theoretically, a series of post-war decisions
10 by the Board of Transport Commissioners raised the
11 maximum level of railway rates by 157 per cent during
12 the period 1946 to 1958. Thus, if the maximum level of
13 railway rates in 1946 is taken as 100, the index of
14 permissible maximum railway rates increases in December,
15 1958, would be 257.

16 However, for competitive reasons, the railways
17 were forced to introduce competitive rates and agreed
18 charges which effectively lowered the rates payable by
19 the shipper. The burden of rate increases carried by the
20 shipper is reflected by the average railway revenues
21 per ton mile, as the shippers' payments are railway re-
22 venues, except when special subsidies raise the effective
23 revenues of the railways without a corresponding increase
24 in rates to the shippers. Thus, the average revenue-
25 per-ton-mile index tends to overstate the increase in
26 the total burden to the shipper of rate increases.

27 The following table and a chart represents the
28 trends in maximum permissible rates and actual rate
29 increases as measured by the revenues per ton mile.
30



1 Q. The table and chart will be taken into the
2 record but I would like to draw your attention to the
3 table at the bottom of page 2 which shows a levelling of
4 average revenue per ton mile starting in 1950. Would you
5 please comment on these?

6 A. Well, as we stated at page 11 of Section 3
7 the railway strike of 1950 had a significant effect on the
8 growth of inter-provincial trucking. This chart shows
9 graphically that commencing in 1950 the competition provided
10 by trucking has stabilized the actual level of railway
11 rates and has forced a widening gap between the maximum
12 permissible level of railway rates and the average revenue
13 per ton mile.

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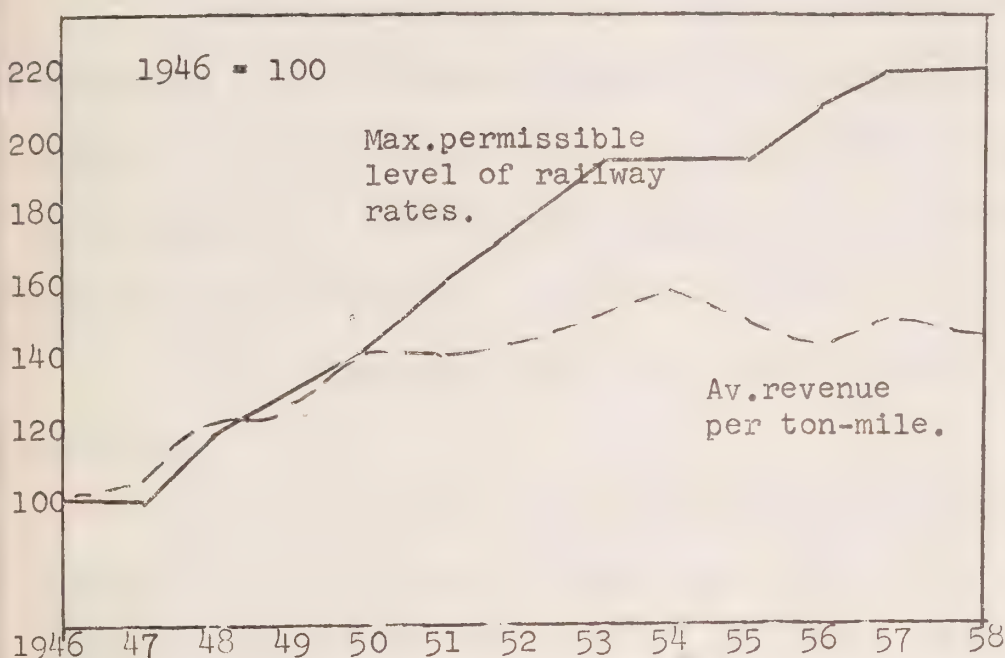
MAXIMUM PERMISSIBLE LEVEL OF RAILWAY RATES
AND THE AVERAGE REVENUE PER TON MILE

Year	Maximum permissible level of railway rates Index: 1946 = 100	Average Revenue per ton-mile Index: 1946 = 100
1946	100	100
1947	100	105.2
1948	121	122.9
1949	131	130.2
1950	145	144.8
1951	162	141.7
1952	170	143.8
1953	198	155.2
1954	198	158.3
1955	198	152.1
1956	212	146.9
1957	220	158.3
1958	220*	156.2

* The last permissible rate increase took effect on December 1, 1958. The year 1958 is the last year which could be statistically related to actual revenues per ton mile of the railways at the time of the preparation of the table and the chart.

Sources: Maximum permissible Level of Railway Rates index compiled from tabulation by Canadian Industrial Traffic League, Circular Issue No. 3776, January 9, 1959.
Average Revenue per ton mile index compiled from Dominion Bureau of Statistics Railway Transport Statistics.

RAILWAY HORIZONTAL RATE INCREASES
AND THE ACTUAL LEVEL OF RAILWAY RATES



SOURCES: Dominion Bureau of Statistics, Railway Transport Statistics.
Canadian Industrial Traffic League, Circular Issue No. 3776.

It may be noted that beginning in the early fifties the two indices -- the index of maximum permissible rates and the average revenue per ton mile index -- show an increasing gap. It is more than a coincidence that this gap started, and began to spread, at a time when the trucking industry entered a new period of expansion. It may be assumed that the new phase of the trucking industry's growth has exerted a strong modifying effect on the railway rate level. As much as it affected the railways' revenues adversely, the emergence of truck competition brought important indirect benefits to the Canadian shipper by holding



1 down the effective increase of railway rates.

2
3 B. Trucking Competition and its Effect on
4 Railway Revenues.

5 It is often argued that truck competition is
6 responsible for the present financial difficulties of the
7 railways. It is further argued that since the railways
8 are essential for the national economy such competition
9 must be checked either by regulation or punitive taxation.

10 It is submitted that these arguments are
11 fallacious.

12 Although truck competition affected railway
13 revenues the beneficiary of this competition was the
14 shipping public.

15 It is doubtful that the overall financial
16 picture of railway freight operations is necessarily
17 disastrous. It is doubtful that normal competitive
18 adjustments are not capable of taking care of the overall
19 deterioration of the freight-carrying economy of the
20 railways. In fact, the problem areas of the railways
21 appear to be more in other fields, namely, passenger
22 traffic, grain movements and operation of those parts
23 of the system which are no longer patronized by the
24 public. The solutions to some of these problems
25 would be well in hand as a result of the efforts of
26 railway management if public policy was more flexible
27 in permitting modification of railway services to the
28 new patterns of public demand. This is a question
29 which has already been dealt with at length in other
30 submissions.



1
2 Our preliminary, general contention is that
3 the arrival of new forms of transport -- trucking, the
4 motor coach, the private automobile, pipeline and air
5 -- has produced certain changes in traffic patterns and,
6 consequently, strains on the railways' revenue position.
7 The solution to these problems lies in the encourage-
8 ment of railway management to exercise their judgment
9 as to reorganization, and, when necessary, curtailment
10 of their services.

11 The trucking industry recognizes that the
12 railways are increasingly faced with competition
13 and that they should be able to take the necessary
14 steps to preserve their financial integrity. It is
15 suggested that the greatest single factor which can
16 contribute towards the solution of the railways'
17 financial problems is the encouragement of all the steps
18 which the railways wish to take to increase the effi-
19 ciency of their operations. The solution to the
20 problem is not an array of growing subsidies, restric-
21 tion on the railways' competitors, or granting the
22 railways the power to monopolize traffic markets by
23 pseudo-competitive rate practices. It is not logical
24 to advocate special subsidies to a competitive industry,
25 without assurance that the cost level on which those
26 subsidies are to be based is the lowest attainable.
27 It is illogical to subsidize services which, if left
28 to the play of competitive forces, could be supplied by
29 other carriers at lower overall costs.

30 MR. HUME: Mr. Chairman, may we take our



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1 customary break at this point?

2
3 THE CHAIRMAN: Yes, we will recess for five
4 minutes.

5 ---Short recess.
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2 THE CHAIRMAN: Order, please.

3 MR. HUME: Q. Mr. Magee, will you please
4 now turn your attention to the regional effect of railway
5 rates and what the problem is as your association sees
6 it.

7 A. In the following section this contention
8 will be examined:

9 "That the competitive forces produced rate reductions
10 through the introduction of competitive rates and
11 agreed charges in certain regions of Canada only,
12 thus creating virtual discrimination between different parts of the country.

13 In order to examine this contention, basic general
14 concepts must first be clarified.

15 It is a truism that every rate increase,
16 if uniformly applied on a mileage basis, produces a
17 greater burden on long haul traffic than on short haul
18 traffic. If a rate increase is, say, one cent per ton
19 mile, the effective rate increase on a shipment moving
20 100 miles is \$1.00, and, on a shipment moving 1,000
21 miles, \$10. Even assuming that certain costs do not
22 change with the length of haul, and, therefore, that a
23 rate taper is justified, any rate increase must necessarily
24 work against long haul shipment, even if, because of
25 a taper, the rate increase is not applied in strict proportion.
26 These facts in themselves do not constitute
27 a discrimination or inequity. They do, however, create
28 problems for producers or consumers who are located great
29 distances from the market or supply sources. The problem
30 of assisting these groups is a real one and must be



1
2 faced. But the problem of special assistance to certain
3 geographical areas, or to a group of shippers, need not
4 necessarily be approached from the point of view of
5 "doing something with the rates"; definitely, in our
6 view, it is not a problem of discrimination.

7 The second fact is that the intensity of
8 competition in different areas of the country is dif-
9 ferent and accordingly the degree of effective rate
10 reductions through the application of competitive rates
11 is different. In order to be objectively considered,
12 this problem must be restated: Is the difference in the
13 degree of competition a constant fact, unchanged and
14 unchangeable, or is it a changing phenomenon, subject
15 to natural corrective forces? If it is assumed that the
16 present picture is a permanent one, and that no correction
17 by free economic forces is possible, certain courses of
18 action logically follow. If, on the other hand, the
19 natural corrective forces exist and the situation improves,
20 then it also follows that any action aimed at relieving
21 the present condition must be very closely examined from
22 the point of view of its effects on the development of
23 these natural forces. In other words, immediate relief
24 may, through freezing of the competitive pattern, pre-
25 vent the removal of underlying causes of the problem.

26 The available facts suggest that although the
27 degree of competition facing the railways, as measured by
28 the movements of traffic volumes at different rate
29 categories, is not evenly distributed throughout the
30 country today, the corrective competitive forces are at
work and the present regional differences are more



1
2 the results of different stages of development of various
3 traffic markets than basic and permanent regional dis-
4 equilibrium. In fact, we have a typical example of the
5 phenomenon of a "diminishing gap" -- the gap between
6 central Canada and peripheral provinces tends to
7 diminish with the growth of competitive forces there.

8 Q. -- You have been discussing revenue per ton-
9 mile. Will you please discuss "ton-mile" itself?

10 A. Before the evidence relating to the
11 regional effects of competitive forces on railway rates
12 in different regions is examined, it is necessary to con-
13 sider critically the basic problem of measurement of
14 the changes in railway rates and the intensity of com-
15 petition to which railway rates must be adjusted.
16 The reason for the inclusion of this section in our sub-
17 mission is the fact that, in the past, the basic approach
18 to the measurement of these changes has been often
19 criticized, but only rarely its usefulness critically
20 examined. The problem of measurement of changes in
21 railway rates has received long and careful consideration
22 by Canadian Trucking Associations and it is believed
23 that it may be of assistance to the Commission if the
24 reasoning behind the particular method of measurement
25 and presentation adopted in the submission is summarized.

26 In the absence of an official index of railway
27 rates, the average revenue per ton mile is being used in
28 this submission as a measurement of changes in railway
29 rates. It is appreciated that the use of the
30 ton-mile measurement is open to some questioning, and
that the validity of this approach has to be carefully



analyzed.

The objection against using the revenue per ton mile stems from the fact that the changes in the level of rates are often accompanied by changes in the "mix" of freight handled; that the changes in traffic composition may obscure, or even completely distort, the direction and magnitude of the change in the rate levels. The following example is illustrative of this argument:

"Let us suppose that only two types of commodities move by the railways, namely 50 ton miles of commodity A and 50 ton miles of commodity B. If the rates are 10 cents per ton mile for A, and 1 cent per ton mile for B, the average rate per ton mile would be 5.5 cents per ton mile.

Now let us assume that both rates have doubled, but the traffic composition has changed so that 75 ton miles of B are transported at 2 cents per ton mile, and only 25 ton miles of A are shipped at 20 cents per ton mile; the average rate would then become 6.5 cents, and the increase of the average ton-mile revenue would not reflect doubling of the rates.

The problem is not, however, how theoretically perfect revenue per ton mile is as a measurement, but how appropriate is the use of this measurement as an index reflecting the changes in the rate structure, and the relative burden imposed on different regions by increases in railway freight rates.

In analyzing this concrete problem we are at



1
2 an advantage in being able to use both a general know-
3 ledge of the directions and types of rate changes, as
4 well as to test our reasoning by other statistics.

5 The basic problem for the analysis of which a
6 quantitative measurement was required, was the
7 problem of the burden imposed by railway rate increases
8 on different regions of Canada. The burden of rate
9 increases is nothing else but the total payments made by
10 the consumers, or producers, in the region to the railways.
11 Since the shippers' payment must equal the carriers'
12 receipts, railway revenues obtained from traffic origin-
13 ating or terminating in the region is equal to the burden
14 of railway rates. However, changes in gross railway
15 revenues alone do not reflect the changes in the volume
16 of traffic, and, therefore, may be open to serious
17 analytical objections. In order to eliminate the dis-
18 turbing influence of the quantity changes, the gross
19 revenues must be adjusted to the volume of traffic
20 changes. As a ton mile is a recognized measurement
21 of the traffic carried, the most logical step is to use
22 gross revenue per ton mile as a measure of the change in
23 the railway rate burden.

24 The term "burden of railway rate increases"
25 has become all-inclusive and is being used to describe
26 the incidence of railway rate increases not only on
27 regions, but also on groups of customers or shippers
28 within the regions.

29 It is assumed that the burden of railway rate
30 increases coincides with the effective increase in the
rates. This assumption appears to be generally



1 acceptable. The strategic word in the above formulation
2 is "effective"; it follows that a rate increase which
3 affects no traffic, or a very significant segment of
4 traffic, is not relevant for the purposes of the analysis.
5 For example, if the rate for confectionery has increased
6 by the full 120 per cent, moving from East to West on
7 class rates, but if confectionery ceased to move by
8 class rates and started to move by truck or on railway
9 agreed charges, then an increase of the class rate by 120
10 per cent is not relevant to our analysis, and cannot be
11 considered as "effective". In other words, rate increases,
12 to be relevant, must be considered in relation to the
13 actual traffic pattern and not in relation to the traffic
14 pattern of ten years ago. In terms of economic analysis,
15 the railway rate index which would be relevant to the
16 problem is the index weighted by the current traffic
17 volumes.

18 In view of the fact that no railway rate index
19 is published which would assist an analysis of the rail-
20 way rate problem in Canada, the problem facing us is how
21 good an approximation of such an index are the indices
22 calculated from the Board of Transport Commissioners
23 waybill analysis.

24 The "ideal index" would take into account the
25 following rate groupings, which would be used as "weights":

- 26 i. Rate categories -- the class rates, agreed
27 charges, etc.
- 28 ii. Traffic movements within and between different
29 regions.
- 30 iii. Length of haul.
- iv. Commodity groupings.

31 If the published compilations of the waybill
32 analysis are used, one can construct indices using either
33 rate categories or commodity groupings. No breakdown of



1 rate categories by commodities is published; moreover,
2 the commodity classification has been changed between
3 1946 and 1958. Therefore, any series based on the
4 published commodity classifications would have some
5 built-in classification inconsistency. It is also to be
6 noted that no data are published by mileage blocks -- by
7 traffic movements of the length of haul of 50-100 miles,
etc.

8 On the other hand, a traffic breakdown by rate
9 categories and regions has certain advantages which make
10 it quite an acceptable approximation to an "ideal"
11 index. Charges by rate categories -- competitive rates,
12 incentive rates, agreed charges -- are a significant
13 departure from charges based on commodity classification
14 and reflect the intensity of competition which is be-
15 coming the most important factor in actual rate making.
16 Since competitive elements in transport provide the
17 actual "ceiling" for most of the effective rate increases,
18 the indices measuring this ceiling are of great analytical
19 significance, a significance going beyond the actual
20 measurement of rate changes. Furthermore, by breaking
21 our measurements by rate territories, or regions, some
22 element of distance is built into our indicators.

23 In other words, in our view, the best way the
24 available statistics can be used is to analyse the
25 railway revenues by regions of origin and destination
26 and by traffic moving by rate categories. From the
27 standpoint of presenting maximum information, no single
28 index or group of indices based on fixed weights is used
29 in this presentation, but the revenue-per-ton-mile-by-
30 rate-categories series are accompanied by the series
showing the traffic volumes moving within these rate
categories by regions. In this way a whole array of
potential indices is presented, each of which can be



1 constructed on the basis of "weights" derived from
2 traffic volumes carried during any of the years between
3 1946 and 1958.

4 Such a presentation has another advantage.

5 If the measurement of the railway rate problem is con-
6 sidered not as an academic exercise but as a tool for
7 analysing the trends in the rate structure in relation to
8 the growing competition, then an indication of the growth
9 of competition is the significant factor. In our presen-
10 tation, the growth of the competitive element is indicated
11 by the changes in the volume of traffic, as measured
12 by ton miles, moving under different rates. Thus, the
13 series presented actually give more relevant information
14 than a pure rate index.*

15 The last objection which remains to be analysed
16 relates to the use of the ton mile as the basis for
17 measurements.

18 The ton mile is the only measure of the rail-
19 ways' or any other carrier's work which takes into
20 account both the volume of traffic moved and the distance
21 moved. In terms of inter-carrier comparisons, such a
22 measurement contains many shortcomings, since it does
23 not take into account the route-length pattern inherent
24 in the carriers' operations nor quality-of-service
25 aspects. If only one industry is analysed, however,
26 these shortcomings are much less serious. By and large,
27 the ton mile measurement produces some bias towards
28 greater length of haul, which, because of the distance
29 factor, receives a slightly higher weight. If, instead
30 of a ton mile, a ton was adopted as the basic measure,
short-distance traffic would obtain a disproportionate
weight; if a mile was used, the bias towards long
distance traffic would be even more pronounced. What is
the practical significance of adopting a ton mile as the



1 basic unit of calculation?

2 *In order to explore all the possible
3 alternatives, CTA undertook a cross-
4 tabulation of the Waybill Analysis,
5 for two years, on a commodity basis.
6 The results of this tabulation are
7 consistent with the tabulation by rate
8 categories -- as presented here -- but
9 provide less information directly relevant
10 to the problem discussed.
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1 If it is true -- as it is assumed to be, --
2 that the strongest impact of competition is on the
3 short-haul traffic market, then the ton-mile measurement,
4 which tends to understate the importance of the short
5 haul traffic, also tends to understate the importance
6 of the competitive element in the rate structure.
7 In terms of indicating the burden of rate increases,
8 it might understate the rate movements if the pattern
9 of traffic changed from predominantly short-haul to
10 predominantly long-haul and if the long-haul traffic
11 is carried under significantly lower rates. These ob-
12 jections are qualified by the following facts:

13 (1) The average haul per ton has not shown
14 any significant change which would be con-
15 sidered as a trend: for example, the
16 average haul per ton in 1949 was 445 miles;
17 in 1951, 400 miles; in 1954, 389 miles; in
18 1958, 431 miles. (Board of Transport Com-
19 missioners, Waybill Analysis. The figures
20 given relate to "Canada, All Traffic",
21 "Average Haul per Ton.") Thus, if Canada
22 as a whole is considered, the distance
23 factor must be assumed to be fairly con-
24 stant.

25 (ii) If, indeed, on a regional basis, the rate
26 increase as indicated by per ton mile
27 revenue is understated by the lengthening
28 of the haul, this factor is counterbalanced
29 by the fact that the competitive impact,
30



1 also measured on the ton mile basis, is
2 understated. It is clear that the com-
3 petitive element is more consistently sig-
4 nificant, from the point of view of rate
5 changes, than the distance factor.
6

7 Q. Now, Mr. Magee, you have defined your
8 method of measurement. Would you assist the Commission
9 by giving the results of your investigations?

10 A. The changes in the structure of railway
11 rates are presented in this submission by the two sets
12 of statistical series:

- 13 (i) Changes in Railway Rates by Regions;
14 (ii) Changes in volume of railway traffic carried
15 at different rate categories (by regions).

16 Both sets of figures are derived from the
17 Transport Board's waybill analyses, 1949-1958, and are
18 also presented graphically by two corresponding sets of
19 diagrams.

20 In this presentation, railway traffic has
21 been divided by the regions of origin and destination,
22 according to the definitions used by the Board of
23 Transport Commissioners. Thus, not only traffic
24 moving between, say, western and eastern regions is
25 treated separately from traffic moving within central
26 Canada (eastern region), but also the direction of
27 traffic movements is distinguished; for example, a
28 separate tabulation has been made for traffic moving
29 from western to central Canada and there is a different
30 tabulation for traffic moving from central Canada to



1 the west.

2 The purpose of the tabulation was:

- 3 (i) To establish the rates of growth of compe-
4 titive types of rates;
5 (ii) To establish the rate changes applicable to
6 traffic moving at different types of rates,
7 as well as the average rate changes.

8 It is our contention that in order to consider
9 the "burden of rate increases" it is not enough to
10 analyse the results of one year; it is essential to
11 consider the long-range trends. In other words, an un-
12 favourable situation in one region may show all the
13 signs of rapid improvement and thus be completely dif-
14 ferent from a situation in which nothing changes. In
15 the case of competitive changes in transportation, the
16 situation is inherently dynamic and can reasonably be
17 considered only from the point of view of movements over
18 time.

19 The charts and tables which follow present a
20 summary of changes in average railway rates and traffic
21 volumes moving at different rate categories. The
22 changes in traffic volumes carried have been entered
23 on a logarithmic scale in order to show clearly the
24 growth ratios.
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2 Q. Now, Mr. Magee, the charts and the
3 figures on pages 4.11a to 4.11e of this section will
4 be taken into the record, but I would like you just
5 briefly to discuss the relevance of the sets of charts
6 on page 11a, one of the ones on page 11a first, and
7 comment on those charts, please.

8 A. The relevance of this set of charts is
9 that they show graphically the similarity in the rate
10 changes which occurred in the various regional move-
11 ments in Canada over the last ten years. I would
12 also call your attention to the basic pattern of these
13 changes which is best seen in the chart entitled
14 "Canada" and to the definite similarity of this pattern
15 to the pattern found in the following charts: eastern
16 to eastern, maritimes to maritimes, maritimes to eastern
17 and western to eastern. The remaining three charts
18 do not display the same pattern for the groupings of
19 the various rate category lines, but they do show a
20 marked similarity in the rate of change of the rate
21 category lines.

22 Q. Could you explain the sudden jump or
23 witch's hat pattern in the eastern to eastern and mari-
24 times to maritimes?

25 A. Well, our advisers explained to me that
26 such irregularities were to be expected where there was a
27 small volume of heterogeneous traffic moving under a
28 particular type of rate. The kind of traffic moving
29 under class rates in both these charts is so small that
30 the statistical techniques are vulnerable and may lead



1 to such inconsistencies. However, if the time series
2 is long enough and the underlying trend apparent, as is
3 the case with these charts, then such violent jumps
4 can be disregarded in the general trend considered to
5 be valid.

6 Q. What conclusions should be drawn from
7 the charts on page 4.11a?

8 A. It is our conclusion that there is no
9 significance in the rates of change of the various railway
10 rates between movements within central Canada and those
11 of any other regional or inter-regional movement.

12 Q. Now, turning to page 4.11c, there are
13 eight charts on that page. Would you comment on those,
14 briefly?

15 A. The charts on 4.11c are designed to show
16 the changes in the volume of railway rate traffic
17 carried at different rate categories between 1949 and
18 1958. The basic pattern which is clearly seen in the
19 chart entitled "Canada" has two main characteristics:
20 first, the volume of traffic moving under competitive
21 rates, particularly agreed charges, is rising, and the
22 volume of traffic moving under non-competitive rates,
23 particularly class rates, is falling; secondly, the
24 traffic moving under agreed charges shows the greatest
25 rate of increase and has now reached a significant
26 volume. These two characteristics are found throughout
27 the charts for regional and inter-regional movements.

28 Q. Now, would you turn to page 12 and
29 continue, please?
30



1
2 A. In 1949, the non-competitive types of rates
3 dominated the Canadian railway scene. Railway traffic
4 moving on agreed charges and competitive rates amounted
5 to only slightly more than 10 per cent of the total
6 traffic, as measured by ton miles of traffic carried.
7 Almost 40 per cent of this traffic moved between points
8 in central Canada ("Eastern to Eastern"). No agreed
9 charges traffic was reported for the traffic from
10 the maritimes to central Canada, and between central
11 Canada and the western region. Traffic carried at
12 both competitive rates and agreed charges amounted to
13 less than 10 per cent for the movements between points
14 in the maritimes and within the western region, as well
15 as for the railway movements from the maritimes to central
16 Canada. (Traffic between the maritimes and the western
17 region was so small that it was disregarded in our
18 tabulations.)

19 In such a situation it is obvious that the
20 burden of the horizontal rate increases fell most
21 heavily on the traffic moving between central Canada
22 and the maritimes and central Canada and the western
23 region.

24 However, the growth of truck competition has
25 been continually affecting the rate composition in all
26 regions. As we have shown in subsection A, after
27 1951 the index of the maximum permissible level of rail-
28 way rates and the index of average revenue per ton mile
29 began to show an increasing divergence; the gap between
30 the two indices represents the growing impact and



1 importance of competitive elements in the transportation
2 scene. These competitive elements were not restricted
3 to central Canada; their geographical spread has been the
4 major factor mitigating the effects of horizontal rate
5 increases. Thus, intra-maritime traffic carried under
6 competitive rates and agreed charges has increased by
7 more than three times, the greatest increase occurring
8 from 1951 to 1952. For traffic moving from the maritimes
9 to central Canada, the most spectacular increase of the
10 proportion of traffic carried under competitive rates
11 and agreed charges came between 1953 and 1954; for
12 traffic moving from central Canada to the maritimes,
13 between 1953 and 1954 and then again between 1955 and
14 1956. For traffic moving from central to western Canada
15 the competitive-rated traffic increased most signifi-
16 cantly between the years 1949 and 1952. From western
17 to central Canada, the significant period in the growth
18 of competitive rates was between 1953 and 1954. In the
19 case of the traffic moving within the western region, the
20 significant period was between 1952 and 1953.

21 This short summary of the significant dates
22 brings out an important fact in the development of
23 railway rates between different regions: the timing
24 of the competitive impact was different between one
25 region and another but in all cases it did occur.
26 Since this development period the growth of competitive
27 rates has been sustained.

28 The same facts can be presented in another way:

29 In 1949, traffic moving under agreed charges
30



and competitive rates within central Canada amounted to approximately 25 per cent of all the intra-regional traffic as measured in ton miles. (This comparison with 1949 is relevant if one considers that it was the intensity of competition in that year which prompted Dr. Innis to state: "The eloquent silence of Ontario and Quebec in rate cases and in the hearings of this Commission points to the effectiveness of truck and water competition in keeping down rates in the St. Lawrence region." (Report of the Royal Commission on Transportation, W.F.A. Turgeon, Chairman; Memorandum on Transportation by Dr. H. A. Innis, page 296. The effectiveness of competition in other regions has now reached the level at which competition in central Canada resulted "in keeping down rates in the St. Lawrence region.") The table below shows the time when other regions reached the same situation as central Canada enjoyed in 1949:

<u>Region</u>	<u>First Year When Competitive Rate and Agreed Charge Traffic Exceeded 25% of the Total</u>
Maritimes to Maritimes	1954
Maritimes to Eastern	1955
Eastern to Maritimes	not yet
Eastern to Western	1953
Western to Eastern	1954
Western to Western	not yet

In the case of the two regions where the competitive traffic has not yet reached 25 per cent of the total -- central Canada's situation of 1949 --



1
2 the growth of competitive rates has, nevertheless, been
3 significant.

4 In 1951, less than one per cent of the total
5 traffic moving between the eastern and maritime rate
6 regions moved under competitive rates and agreed charges.
7 (The 1949 competitive rate traffic appears to be abnor-
8 mally high and, therefore, is not considered in this
9 comparison.) In 1958, almost 13 per cent of the traffic
10 between these two regions moved under competitive rates
11 and agreed charges, an increase of more than 1,200 per
12 cent!

13 In the case of traffic moving from western to
14 western rate territories the problem is complicated by
15 the existence of statutory rates. If statutory rates
16 are included, traffic moving under competitive rates
17 and agreed charges amounted to slightly more than one
18 per cent in 1949, and a little over 7 per cent in 1958.
19 If the statutory rates are excluded (which necessitates
20 using 1951 as the reference year), traffic moving at
21 competitive rates and agreed charges increased from
22 approximately 4 per cent in 1951 to about 23 per cent in
23 1958, an increase of about 400 per cent, which brings
24 "Western to Western" movements close to the position
25 of central Canada in 1949.

26 There is little doubt that if these trends in
27 competitive rates continue, the existing lag in the
28 relative spread of competitive rates and agreed charges
29 between central Canada and the "peripheral" regions
30 of the country will diminish, and may even disappear



altogether. The necessary condition for such a development is, of course, the existence and further growth of truck competition.

Even the presently-existing situation, however, does not indicate the need for a radical remedy. As we have shown, most of the regions have reached the same position in the development of competitive rates and agreed charges as existed in central Canada in 1949. It may be remembered that at that time it was maintained that the volume of competitive rates in central Canada provided an effective brake on any substantial rate increases in that region. If this argument was true about central Canada in 1949 then surely it must be true of other regions which have reached the same level of competitive development.

A priori it can be expected that the spread of competitive rate practices would significantly slow down the effective increase in railway rates; this conclusion is confirmed by the study of average revenues per ton mile. If the class rates are excluded -- and these rates tend to play a less and less important part in actual traffic movements -- not only the average revenue per ton mile tends to become stabilized, but average revenue per ton mile relating to traffic moving under different rate categories tends to show no significant increases. No notable divergence in the pattern of average rate movements can be observed between central Canada and the other regions, which tends to create some doubt as to whether agreed charges



1 and competitive rates outside of central Canada are
2 weaker than those relating to the traffic within that
3 region. The experience of western Canada in this
4 respect is illustrated by charts 4 and 5.
5

6 In Canadian Trucking Associations' submission
7 to the Standing Committee on Railways, Canals and
8 Telegraph Lines in April, 1959, the average rate
9 increases by regions and movements between regions were
10 analysed, using 1949 and 1957 as "reference years."
11 This analysis indicated that, out of seven intra-or
12 inter-regional movements analysed, three experienced
13 an average rate increase lower than central Canada, and
14 three higher, and that traffic movements within central
15 Canada had the second highest average level of rates.

16 The view of the shortcomings of a two-year
17 analysis and the limitations of the average rate level
18 comparisons, a continuous time series was developed.
19 These series and their graphical representation form
20 part of this submission. The data indicate that the
21 regional differences in rate change statistics show a
22 similar trend to the statistics for traffic volume by
23 rate categories: an increasing equalization of the
24 rate situation of different regions.

25 Q. Now, Mr. Magee, you have defined your
26 terms and you have developed certain arguments. Would
27 you now present the conclusions of the Canadian Trucking
28 Associations to complete this section of your submission?

29 A. Well, the conclusions of the Canadian
30 Trucking Associations are that if a general inequity



1 in the rate situation between different regions existed,
2 the growth of competitive forces has been working towards
3 equalization of the position of different regions.

4 In fact, the existence of certain advantages which
5 some of the regions enjoy -- low rates on grain for
6 export, in-transit privileges, etc. -- may even put them
7 in a more favourable position than central Canada, so
8 widely used as the "bench-mark" for rate comparisons
9 intended to show rate inequities between different
10 regions.

11
12 This is not necessarily an argument that no
13 individual rate inequities exist. For example, the
14 vitities of Regina and Saskatoon pointed out unequal
15 advantages which apparently are enjoyed by some of the
16 cities in western Canada and not by others. It has
17 been drawn to the Commission's attention that the
18 situation may exist where shipment subjected to stopover
19 and rebilling at one centre may cost less than a direct
20 shipment (cf. Submission of the Saskatoon Board of Trade
21 and the City of Saskatoon to this Royal Commission,
22 paragraph 51). If such situations exist -- and this
23 problem had, of necessity, to be omitted from our analysis
24 -- some remedial action may be necessary, but the neces-
25 sary remedy might well take the form of some adjustment
26 to the railway rate structure, if such an adjustment
27 is deemed necessary and not the form of a blanket
28 subsidy.



1 In conclusion it is submitted that

2 1. No significant inequities exist as
3 between the general levels of railway
4 rates in different regions. The equalizing
5 effect of the growing competition is
6 bringing the existing competitive
7 advantages into better balance. The
8 corollary of this statement is that these
9 growing competitive forces should be
10 encouraged, not hampered, by one-sided
11 subsidy policies.

12 ii. The existence of local discriminations
13 and inequities, where it can be established
14 does not imply the need for any far-
15 reaching general remedy. If local inequit-
16 ies exist, they should be dealt with by
17 the Board of Transport Commissioners.
18 To attempt to solve such problems by means
19 of subsidies would have nation-wide
20 effects, may prove wasteful of national
21 resources and should, therefore, be
22 avoided.

23 Canadian Trucking Associations accepts the
24 thesis put forward by the Western and Maritime provinces
25 that due to the facts of geography long-haul traffic
26 carries a larger per pound burden of any uniform rate
27 increase. This is a reflection of a natural cost
28 situation. It may be considered that it requires correc-
29 tive action by the Government; that assistance to a
30 group of shippers or consumers is in the public interest.
If this is the case, any program of regional or
sectional assistance should be implemented in such a way
as not to disturb the workings of natural competitive
forces. These forces are the most effective remedy in



1 eliminating any real discrimination. They have brought
2 and are bringing to an increasing degree, the benefits
3 of competitive rate reductions (or rate stabilization)
4 to all of the regions of Canada, at no cost to the
5 Canadian taxpayer.

6 The position of the trucking industry in this
7 matter cannot be construed as one of seeking special
8 advantage. The trucking industry believes that, on the
9 basis of the available evidence, it is justified in
10 claiming that it has been, and is today, a powerful
11 competitive force preventing rate discrimination between
12 the regions, that it is in the public interest to ensure
13 that no course of action is taken which will weaken or
14 destroy this force. The trucking industry does not seek
15 any subsidies; if, however, a subsidy is decided upon
16 in order to assist a group of producers or consumers,
17 its application should not be discriminatory.

18 Q. Mr. Magee, that naturally leads into the
19 next section of your submission which deals with the
20 question of subsidies; would you be good enough now to
21 commence to present the views of the Canadian Trucking
22 Associations on the question of subsidies?

23 A. Yes, I will deal first, Mr. Chairman, with
24 general considerations.

25 Subsidization of public carrier transportation
26 has become one of the major questions before the
27 Commission. A number of transport subsidies have
28 been established by Parliament to assist certain groups
29 of shippers, certain regions, certain carriers or groups
30 of carriers. In addition, as the result of rate
policies, the rate structure itself is held to be an
instrument of "internal subsidization" of certain types
of traffic. The extent to which such rate subsidization
has created a burden on the transport undertakings



1 themselves is a matter of controversy which, in other
2 submissions, the Commission has been asked to resolve.

3 However, before any particular subsidy prob-
4 lems can be considered, it is essential to resolve, or
5 at least state, the fundamental problem of subsidization
6 policies. If, as a matter of national policy, certain
7 traffic movements should receive assistance from the
8 national treasury, should a particular transportation
9 industry be chosen as a means of implementing the
10 subsidy policy, or should the subsidy policy be based on
11 the principle of assisting a shipper, or a class of
12 shippers, without prejudice as to the transportation
13 medium, or carrier, he prefers to use? In the first
14 case, the competitive equilibrium between transportation
15 industries is distorted, for the "chosen instrument"
16 carrier, or industry would, of course, obtain the major
17 share of the subsidized traffic, if not all of it.
18 Furthermore, as transport facilities are interrelated,
19 subsidization of certain traffic would materially assist
20 in carrying other types of traffic. The plain fact is
21 that it is not possible in practice to subsidize a part
22 of the carrier's traffic without, at the same time,
23 improving the overall position of the carrier. There-
24 fore, if one transportation industry is selected as the
25 "chosen instrument" of the subsidy policy, its overall
26 competitive position is bound to improve at the cost of
27 competing transport industries.

28 The Canadian trucking industry is extremely
29 concerned about the possibility of adopting a national
30 subsidy -- or subsidies -- policy based on the principle
of "chosen instruments." In practice, the "chosen instru-
ment" has almost invariably been the railways and con-
tinuation of such a policy is bound to have profoundly
adverse long-range effects on the trucking industry.



1 Quite apart from the adverse competitive effects
2 which adoption of the "chosen instrument" subsidy policy
3 would have on the trucking industry, we believe that the
4 principle itself is wrong, and is against the long-
5 term interests of shippers. The maximum benefits for
6 the shipper can be derived only if he has a choice
7 between alternative services, so as to be able to ex-
8 periment and select the type of service which minimizes
9 his overall costs. If one type of service is subsidized,
10 and alternative service is adversely affected by the
11 subsidized strengthening of its competitor, the alter-
12 natives between which a shipper can choose are no longer
13 subject to the free play of economic forces. The
14 shipper's freedom of choice thus loses some of its
15 meaning. Obviously this is not the way to achieve the
16 best allocation of resources nor maximum efficiency of
17 the national economy.

18 The advocates of the "chosen instrument"
19 approach to subsidy policies have not denied the basic
20 truth of the above arguments. In some way they appear
21 to avoid consideration of the fact that ours is, after
22 all, a competitive enterprise economy; they feel no
23 compulsion -- none that is apparent -- to consider any
24 method of paying the subsidy other than the archaic and
25 unrealistic method of paying it to the railways -- which
26 may, indeed, assist the goal of a quick and easy birth
27 for the subsidy; and, finally, they take refuge in the
28 argument of administrative convenience or administrative
29 difficulties. Obviously, the "chosen instrument" approach
30 has an appeal to the administrator. One or two carriers
are easier to deal with for the purpose of making the
payments than ten or twenty. But this argument, even
if administrative convenience is considered important
enough to over-ride economic considerations, is not a



valid one. True, it is easier to write one cheque than ten, but the cheque writing is not the only part of the administrative procedure inherent in a subsidy scheme. If a subsidy policy results in preserving monopolistic elements in transportation, and if the subsidies are determined with some reference to the carriers' costs, the national agency charged with the payment of the subsidies has a duty to establish not only the subsidies are not misapplied, which is a matter of an accounting audit, but that the carriers' costs to which the subsidies relate are at the lowest possible level. In a competitive situation, the "efficiency audit" is not necessary; if costs are allowed to increase in one industry or form faster than in another, such change in the relative efficiencies would result in a traffic switch. This automatic efficiency control is lost if only one industry is selected as a "chosen instrument". Therefore, the problem of efficiency control over the subsidized industry is inescapable. In order to avoid any misunderstanding, it is not suggested that Canadian railways are not efficient. It is not suggested that they do not operate at the lowest possible cost level. However, if Canadian railways were selected as the chosen instrument of subsidy policies, it is only logical to expect that the Government would have to satisfy itself that the highest efficiency of railway management and labour is maintained and that the taxpayer would not be called upon to pay a single cent more than is absolutely essential. In our opinion, such an efficiency audit would result in an excessive administrative burden, quite apart from the fact that it would interfere with the prerogatives of management and organized labour. In other words, the administrative convenience argument, if advanced to its logical conclusions -- in all its aspects, and not



1 only the cheque writing and efficiency audit functions --
2 is not only invalid, but, in fact, supports the economic
3 argument against a carrier being picked as the "chosen
4 instrument" of a subsidy payment.

5 In an economy such as Canada's based to a large
6 extent upon a system of allocating goods and services
7 by a price mechanism subject to a minimum amount of
8 Government control, it is axiomatic that subsidy, as an
9 instrument of government policy, must be avoided if at
10 all possible. The fundamental reason for this is that
11 subsidies affect the price mechanism and thus can
12 hinder the proper allocation of goods and services and
13 cause distortion in the growth of competitive forces.

14 In practice the disadvantages of a policy of
15 subsidy may be far more widespread than this statement
16 of fundamentals would indicate. The American farm
17 produce subsidies, for example, interfered with the
18 price mechanism, creating a price for farm products which
19 was above the price which the market would have set
20 for the same products. The most obvious result has
21 been the accumulation of sizeable surpluses of certain
22 farm products which immediately increased the direct
23 cost of the subsidy to the taxpayers by creating a need
24 for new storage facilities. Less obvious have been such
25 other results as the diversion of American productive
26 capacity to areas where it was not needed; creation of
27 problems of international relations arising out of
28 attempts at surplus disposal; establishment of vested
29 interests involved in growing subsidized products or
30 servicing growers and whose livelihood now depends on the
maintenance of the subsidy.

No one who has followed the efforts of the
various administrations to reduce the burden of these
subsidies in the United States could recommend subsidy



1 as a means of implementing public policy without
2 considering the dangers inherent in such a recommendation.
3 It would probably be fair to say that this danger is
4 generally recognized. Subsidy can be justified but only
5 when it is the sole means of implementing a policy which
6 is in the public interest.

7 It is the view of Canadian Trucking Associations
8 that subsidy should be avoided in our industry. There
9 can be no denial, however, that subsidy is, and will
10 probably continue to be, an important instrument of
11 Government transport policy. Whether or not subsidies
12 which now exist, or which may be proposed, can be justi-
13 fied is not the immediate concern of Canadian Trucking
14 Associations. We assume that the Commission will not
15 recommend any policy of subsidy without adequate justi-
16 fication. It is our immediate concern that your re-
17 commendations as to existing or proposed subsidies in
18 the field of transport take account of what we feel are
19 the mutual interests of the trucking industry and the
20 people of Canada.

21 THE CHAIRMAN: That would be a convenient place
22 to adjourn tonight.

23 THE SECRETARY: In order not to hold up the
24 daily service of the transcript, the transcript for today
25 will not contain charts on pages 4.11, a, b, c, d, and
26 the notes on 'e' as well as pages 4.15 a and b. They will
27 appear at the beginning of the transcript for April 29
28 as a fly sheet.

29 THE CHAIRMAN: We will adjourn now until
30 10.00 o'clock tomorrow morning.

---Adjournment.

John C. R. McTaggart

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE

9

29 APR. 1960

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I N D E X

Page No.

CANADIAN TRUCKING ASSOCIATIONS, INC.

Mr. John A.D. Magee

Direct examination (cont'd)

By Mr. Hume

10584

E X H I B I T S

Number

130

Publication entitled "Trans-
portation and Handling of Grain
by Motor Truck in the Southwest

10623

131

Series of five photographs

10623



ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 29th
day of April, 1960.

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Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
Friday,
April 29, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please, gentlemen.

DIRECT EXAMINATION BY MR. HUME (cont'd):

Q. Mr. Magee, when we adjourned last night you were reading from the fifth section of your brief, and you were about the middle of page 4 in the fifth section. I wonder, would you now give the views of your Association as to the principles of a subsidy policy, if one is to be recommended?

A. In its submission relating to the statutory grain rates the Canadian Pacific Railway outlined certain principles which should be considered in respect to subsidy. For the most part we endorse this statement of principles. However, we would add to them, and restate them, in order of importance, as follows:

1. A subsidy should be self-liquidating.

This principle is not included in the Canadian Pacific's submission. We believe that the principle is most important. By self-liquidating, we mean that the subsidy should seek to cure an ill, not simply to maintain the status quo. It should be a positive policy designed to activate forces which will eliminate further need for a subsidy.

ii. A subsidy should always be subject to review.

Again, this is an important principle which



1
2 was not mentioned by the Canadian Pacific. Subsidies
3 are too often regarded as being permanent features in
4 the economic landscape, as unalterable as the geography
5 of the country.. Subsidies may exist today under quite
6 different circumstances than when they were instituted.
7 Such subsidies should be reviewed and altered, or abol-
8 ished, if they are not achieving the objectives for which
9 they were established.

10 iii. The rights and interests of all parties
11 must be adequately safeguarded.

12 iv. The method should be as simple as poss-
13 ible, the cost of computing and making the payment kept
14 to the minimum.

15 v. The true purpose of the payment must be
16 easily recognizable.

17 vi. Payment of the assistance should be made
18 in such a manner as to eliminate continuing controversy.

19 The last four principles were stated by the
20 Canadian Pacific.

21 Q. In preparing your submission, your
22 Association officers and your advisors reviewed the
23 present subsidies in Canadian transportation: Would
24 you please now deal with them, and start with the
25 Maritime Freight Rates Act?

26 A. The Maritime Freight Rates Act has already
27 been described and discussed in detail in other submiss-
28 ions made to the Commission and the submission of the
29 Maritimes Transportation Commission has yet to be
30 presented. We mention these facts to indicate why a
full scale analysis of the Maritime Freight Rates Act



1
2 may appear to be omitted from our submission. We see
3 no point in taking the Commission's time to duplicate,
4 except to the extent necessary for the purposes of
5 our submission, what has already been said to you, or
6 what will be said to you, in the valuable submissions
7 of other parties.

8 This section of our submission will deal
9 particularly with the effect of the Maritime Freight
10 Rates Act upon the three parts of the trucking industry
11 concerned: (1) the maritime trucking industry; (2)
12 the section of Canada's interprovincial trucking industry
13 which hauls freight westbound from the maritimes to other
14 parts of Canada; and (3) the section of Quebec's
15 trucking industry which operates in competition with
16 intra-Quebec railway freight service on the "eastern
17 lines" -- extending from the southern provincial boundary
18 near Matapedia and near Courchesne to Diamond Junction
19 and Levis. All of these parts of the Canadian trucking
20 industry are affected by the workings of the Maritime
21 Freight Rates Act.

22 COMMISSIONER MANN: May I interrupt there
23 for a moment: Is there a fourth party? It just
24 occurred to me there is part of the Quebec trucking
25 industry which hauls westward to other parts of Canada,
26 for instance, Rimouski to, say, Cornwall, which would
27 perhaps be under subsection (2) "The Section of Canada's
28 Interprovincial Trucking Industry which Hauls Freight
29 Westbound from the Maritimes to Other Parts of Canada?"

30 THE WITNESS: Yes, that is quite true,
Mr. Commissioner.



1
2 The Maritime Freight Rates Act, 17 George V,
3 Chapter 44, directed that the tariffs of tolls of the
4 "eastern lines" of the Canadian National Railways be
5 reduced by 20 per cent below the tolls or rates existing
6 on June 30, 1927, the reduction to apply within the
7 maritime provinces and on lines of railway extending
8 from the maritimes and to the province of Quebec from
9 the southern provincial boundary near Matapedia and near
10 Courchesne to Diamond Junction and Levis. The Act imple-
11 mented the recommendations of the report of September 23,
12 1926, of the Royal Commission on Maritime Claims, under
13 the chairmanship of Sir Andrew Rae Duncan. Effective
14 July 1, 1957, the reduction on interprovincial freight
15 movements westbound from the maritime region as far as
16 Diamond Junction and Levis became 30 per cent instead of
17 20 per cent.

18 The Duncan Commission's findings were reviewed
19 in the submission of the province of Nova Scotia at the
20 Commission's hearings in Halifax on November 13, 1959,
21 (Volume 6, pages 647-652). In summary form -- and I
22 should say, Mr. Chairman, this is our summary; this does
23 not purport to be the Nova Scotia submission's summary --
24 there were three groups of findings:

25 1. The Commission endorsed the view that
26 leading Canadian statesmen, in urging the adherence of
27 the maritime provinces to Confederation, had defined the
28 purpose of the Intercolonial Railway to be (a) the means
29 of affording to Canadian merchandise and to Canada her-
30 self in times of national and imperial need a year-round
outlet and inlet on the Atlantic ocean and (b) the means



1
2 of affording to maritime merchants, traders and manufac-
3 turers, a market elsewhere in Canada, instead of their
4 being restricted "to the small and scattered populations
5 of the maritimes themselves."

6 ii. From 1876 to 1912, freight rates on the
7 Intercolonial Railway had remained at a moderate level
8 in keeping with the policy of parliament and the
9 undertakings given to the maritime provinces before
10 Confederation. "Their 100 had become 192", the Commission
11 stated in reviewing the increase in freight rates which
12 had taken place on the Intercolonial Railway after 1912
13 -- comparing it with the estimated average rate increase
14 elsewhere in Canada of 55 per cent: "their 100 has
15 become 155." To make the rates on the Intercolonial
16 Railway approximately 155 instead of 192, the Commission
17 recommended the 20 per cent reduction of the Intercolon-
18 ial's rates.

19 iii. The Commission found that the Inter-
20 colonial Railway was considerably longer than necessary
21 (Sir Sanford Fleming's estimate was 250 miles), having
22 regard only for the consideration of connecting the cities
23 of the maritime provinces with those of the St. Lawrence.
24 Commercial considerations had been subordinated by national,
25 imperial and strategic considerations and the Commission
26 recommended that the cost should be borne by the Dominion
27 and not by the traffic that might pass over the line.

28 The longer route of the Intercolonial is a cost
29 consideration which may well be recognized in the rate
30 reductions authorized under the Maritime Freight Rates
Act. However, it certainly was not regarded by parlia-
ment as a deterrent to extending the subsidy provisions to
other railway lines. All railways which make the



1
2 Maritime Freight Rates Act reductions are fully compen-
3 sated from the federal treasury on an annual basis. They
4 include not only the Canadian National Railways but the
5 Canadian Pacific and other companies owning or operating
6 lines of railway in or extending into the "select
7 territory" -- New Brunswick, Nova Scotia, Prince Edward
8 Island, Newfoundland and the railway lines in Quebec
9 described in paragraph 13 of this section of the submission.
10 In addition, on the recommendation of the Turgeon Royal
11 Commission on Transportation, the Act was amended in
12 1951 to include freight traffic moving outward westbound,
13 rail and lake, and also by rail, lake and rail. Where
14 the lake movement is a factor, the 30 per cent reduction
15 (as it has been since July 1, 1957) is based upon the
16 eastern lines proportion of the through rate for the
17 rail mileage as far as Diamond Junction or Levis.
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2 So far as the trucking industry is concerned,
3 the outstanding difference between the Maritime Freight
4 Rates Act and the Freight Rates Reduction Act, and also
5 between the Maritime Freight Rates Act and the adminis-
6 tration of the East-West "bridge" subsidy by the Board
7 of Transport Commissioners under the Railway Act, is
8 that the railway rate reduction of 20 per cent within the
9 Maritime provinces, and 30 per cent on the westbound
10 interprovincial haul, apply on competitive as well as
11 non-competitive traffic. The sections of the trucking
12 industry affected thus face a subsidized price for
13 freight service in respect to all competitive traffic
14 moving by rail.

15 Before we proceed further, there should be set
16 out clearly for the record the relationship of maritime
17 freight rate reductions to the three sections of the
18 trucking industry described in paragraph 12 of this
19 section of the submission. The term "maritime trucking
20 industry" refers here to trucking firms within the
21 maritime provinces -- that is just an arbitrary des-
22 cription so that we can explain this -- they experience
23 a 20 per cent reduction of rail rates within the
24 maritimes -- shipments, for example from Sydney to
25 Newcastle or Moncton to Halifax. The section of the
26 Quebec trucking industry referred to is the intra-
27 provincial trucking firms providing service to the
28 area within the southern provincial boundary of Quebec
29 and Diamond Junction and Levis; rail freight shipments
30 within this area of the province take a 20 per cent rail



1 rate reduction. The third part of the trucking industry
2 is the interprovincial trucking firms hauling freight
3 from any point in the maritimes westbound to any point
4 elsewhere in Canada and whose home terminal might be
5 situated anywhere in Canada -- such operators experience
6 a 30 per cent rail rate reduction as far as Diamond
7 Junction or Levis. (The application of the westbound
8 interprovincial subsidy was described by Commissioner
9 Mann at the hearings in Charlottetown on November 12th
10 (Volume 5, page 617): "Perhaps the best way to express
11 it is in the way of an example: if you have a rate of \$1,
12 a 30 per cent reduction on traffic from here to, say,
13 Ontario should result in 70 cents if it were indeed a
14 reduction of 30 per cent from the through rate. How-
15 ever, what is in practice done is this: you divide the
16 rate into the proportions which are attributable to the
17 haul within the so-called select territory and the
18 proportion of the rate which is attributable to the haul
19 outside the select territory which is beyond Levis and
20 Diamond Junction. Then you reduce the inside proportion
21 by 30 per cent. Now, by way of example, if your rate
22 was \$1, and 50 cents was attributable to the inside
23 movement and 50 cents to the outside movement you reduce
24 the 50 cents attributable to the inside movement by
25 30 per cent or by 15 cents in this case so that the
26 total rate is arrived at by adding the 35 cents to the
27 50 cents on the outside, resulting in a total through
28 rate of 85 cents.")

29
30 The most obvious shortcoming of the Act is



1
2 that it has the effect of penalizing those shippers who,
3 through choice or necessity, use public carrier trucking
4 firms. Just as it was a fair and wise policy in 1927
5 to extend the provisions of the Maritime Freight Rates
6 Act to competing rail carriers operating in the maritimes
7 instead of to a single rail carrier, so it would be a
8 fair and wise policy today to apply the Maritime Freight
9 Rates Act to competing types of carriers and not to any
10 single type of carrier.

11 Another important shortcoming of the Act is
12 its effect on the development of the transportation
13 industry in the maritimes. One of the factors repeated-
14 ly cited as the prime cause of "freight rate discrimina-
15 tion" in the maritimes is the lack of a strong competitive
16 trucking industry such as exists in central and western
17 Canada. Maritime freight rates, it is said, take a
18 disproportionate burden of any general freight rate
19 increase because more maritime freight moves under
20 non-competitive rates than in the rest of Canada.

21 Q. Now, Mr. Magee, may I ask you just to stop
22 there in the reading of your submission. I understand
23 that your industry has experienced two practical problems
24 from the trucking point of view relating to the Maritime
25 Freight Rates Act, that these problems have just come to
26 light. Would you describe these problems for the
27 Commission?

28 A. Yes. First of all, there is the question
29 as to whether a railway company receives payments under
30 the Maritime Freight Rates Act with respect to shipments



1 carried by its trucking subsidiaries.

2
3 MR. HUME: Mr. Chairman, may I remind the
4 Commission that at the hearings in Halifax, as reported
5 in Volume 7, page 784, a submission was made on behalf of
6 this Association by the regional witness, and that
7 contained evidence that a railway company might be
8 receiving the benefits of the Maritime Freight Rates Act
9 for the movement of goods by their highway transport sub-
10 sidiaries, and that material is found commencing at
11 page 784 to 789 inclusive.

12 At page 789 the following appears in the
13 transcript:

14 "The question of the nature and extent of
15 any direct or indirect subsidy arising under the
16 Maritime Freight Rates Act constituted an ad-
17 vantage to rail carriers over competing highway
18 carriers is a matter of real concern to this
19 honourable Commission and it is understood that
20 more specific and detailed representations will
21 be made to the Commission by Canadian Trucking
22 Associations at a later stage in your hearings."

23 Q. Mr. Magee, have you any further evidence
24 to put before the Commission on this matter?

25 A. Well, yes, Mr. Hume. On this particular
26 point there has appeared what we believe is a confirma-
27 tion of what was said at Halifax, and I would like to
28 read to the Commission an extract from a letter addressed
29 to Mr. Harry Smith, a director of Smith Transport Limited,
30 from the Law Department of the Canadian Pacific Railway



1 Company, Montreal, dated December 10th, 1959, which has
2 been filed with the Board of Commissioners of Public
3 Utilities for the Province of Nova Scotia. This
4 letter was quoted by the Board in a decision rendered
5 by it on February 18th, 1960, in regard to the application
6 of Smith Transport Limited for a licence as a motor
7 carrier under the Motor Carrier Act of Nova Scotia and
8 as a federal carrier under the Motor Vehicle Transport
9 Act, and I will read all of the portions of the letter
10 which appeared in the Board's Decision.

11 "The fact is, however, that Canadian Pacific
12 does not make any claim under the Maritime Freight
13 Rates Act for payment of any subsidy in respect
14 of traffic moving wholly by road. In respect
15 of traffic having some part of a road haul as
16 an incident of the rail haul, the Transport
17 Board has customarily allowed claims to be made
18 restricted to that principle, that the road haul
19 must be incidental to the rail haul.

20 "It should be noted that such claims in
21 any event could not be made in respect of express
22 traffic, since express traffic is specifically
23 excluded from the provisions of the Maritime
24 Freight Rates Act.

25 "Accordingly, the main aspects upon which
26 the Board obviously wants to be assured are:

27 (a) Smith Transport does not in any case
28 receive the benefit of the subsidy but that
29 it is a contract price for services performed
30 and based solely on its own costs and a



1 reasonable allowance for profit.

2
3 (b) The railway makes no claim under the
4 Maritime Freight Rates Act in respect of
5 traffic moving entirely by road. The question
6 as to claims made in joint road and rail opera-
7 tions depends in principle upon the Transport
8 Board's holding that the road haul portion
9 of the movement is an incident of the rail
10 haul movement.

11 (c) In no case is the express traffic
12 subsidized under the Maritime Freight Rates
13 Act."

14 That is the letter, or the portion of the
15 letter, that appeared in the Decision.

16 Thus it is apparent that the Canadian
17 Pacific Railway Company had received payments with
18 respect to truck shipments which are "an incident to
19 the rail haul". We are very much concerned about
20 this type of payment for two reasons. First, we doubt
21 that the Maritime Freight Rates Act authorizes the pay-
22 ment of any subsidy with respect to road haulage, and,
23 secondly, the question as to what is "incident to the
24 rail haul" would appear to us to be an increasingly
25 arbitrary criteria. We say increasingly arbitrary
26 criteria because of the fact that both railways are
27 aggressively expanding in the trucking services,
28 either directly or by the acquisition of subsidiaries.

29 The Canadian Trucking Associations is
30 surprised that the Board of Transport Commissioners



1
2 interprets the Maritime Freight Rates Act as empowering
3 it to pay to the railways a portion of the maritime
4 freight rates subsidy in respect to trucking operations.
5 On the other hand, if the Board is correct in assuming
6 that it has the power to authorize subsidy payments
7 to the railways for railway truck line operations in-
8 cidental to railway operations, this, in our view, en-
9 larges the discrimination inherent in singling out
10 the railways as a "chosen instrument" of Parliament's
11 freight rate reduction subsidy policies.

12 MR. HUME: I might interject, Mr. Chairman,
13 to say that I wrote to my learned friend Mr. Sinclair a
14 letter on April 27th advising him of this portion of
15 this letter in order that he would not be taken by
16 surprise, and Mr. Sinclair is aware of the fact that
17 this portion of the letter appearing in the Nova
18 Scotia Board's decision was to be presented.

19 THE CHAIRMAN: Mr. Hume, have you any infor-
20 mation from the Board as to whether payments had been
21 made to Smith Transport?

22 MR. HUME: Mr. Mann, I am sure, can answer
23 that question better than I. It is my understanding,
24 and to directly answer your question, I think it is
25 No. I don't think the payments are made to Smith
26 Transport. I think what is complained of here is that
27 the payments are coming to the railway, a portion of
28 which is hauled by Smith Transport. Smith Transport
29 is a separate corporate entity. We have no information
30 on that, Mr. Chairman.



1
2 THE CHAIRMAN: I can well understand your
3 concern in that respect.

4 COMMISSIONER MANN: I think it should be made
5 clear for the record that the Board has nothing to do
6 with any payment that Canadian National may receive
7 in respect of truck operations that are coordinated
8 with rail operations.

9 MR. HUME: And I think it is also fair to
10 say that unofficial inquiries indicate that no such
11 payments have been made, but we have no definite
12 information.

13 THE WITNESS: No payments made to the C.N.R.
14 on C.N.R. trucking operations. I suppose it is correct
15 to describe them as unofficial inquiries of the Board,
16 but we have always been assured that they do not receive
17 any part of the maritime freight rates subsidy.

18 THE CHAIRMAN: Well, we had better have that
19 cleared up in due course, I think.

20 MR. HUME: Q. Well, Mr. Magee, that is the
21 first of these problems which don't appear in your
22 submission. Would you please outline very briefly
23 what your second problem is?

24 A. Well, the second problem arises from
25 the increasing development of truck services from
26 the ports; that has been an increasing development in
27 the industry, the movement of freight from the various
28 ports in Canada, and in that connection the problem
29 found in this issue has arisen over the payment of
30 subsidy under the Maritime Freight Rates Act for



1 traffic which would appear to be import traffic, and therefore
2 not eligible for the subsidy under the terms of the Act
3 This issue is now before the Board of Transport Com-
4 missioners and we do not propose to discuss the merits
5 of the various arguments here. However, we wish to
6 point out that should the Board of Transport Commis-
7 sioners rule that once import traffic enters into the
8 domestic commerce of the maritimes it then becomes
9 eligible for the Maritime Freight Rates subsidy without
10 any further processing or manufacturing in the maritimes,
11 it will have confirmed a process by which the Maritime
12 Freight Rates Act is used not to develop maritime com-
13 merce and industry but solely to develop traffic for
14 our competitors.
15

16 Q. Now, Mr. Magee, would you continue with
17 your submission, please, on page 9?

18 A. The submission of the Government of New
19 Brunswick presented to you at Fredericton on November 9
20 stated that one of the "two factors (which) have
21 tended to wipe out the advantages thus gained" (under
22 the Maritime Freight Rates Act) "was the new influence
23 of truck competition." In Volume 3, page 225, the
24 Province's view on this point is stated as follows:

25 "Over the relatively short distances between
26 the source of raw materials or the manufacturer
27 and the markets in Ontario and Quebec, shipments
28 by truck at relatively low costs and with door
29 to door service began to offer stiff competition
30 to the railways.



1
2 To meet this competition the
3 railways reduced their rates in the areas
4 affected, thereby tending to eliminate the ad-
5 vantages to maritime shippers afforded by the
6 Maritime Freight Rates Act. Because of the
7 distances involved, similar competition from
8 road transport was not available to New
9 Brunswick shippers, at least to the same
10 degree."
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2 Subsequently, at Halifax, on November 13, you
3 heard the views of the government of Nova Scotia, found
4 in volume 6, page 658, as follows:

5 "The nature of the freight structure and the highly
6 competitive situation under which the railways
7 operate in many parts of Canada have been respon-
8 sible for imposing a greater than justifiable burden
9 on the Atlantic provinces, including the province
10 of Nova Scotia. Because of the competitive pos-
11 ition of the railways, they cannot, for fear of
12 losing freight, make authorized increases effective
13 on many segments of their traffic. The competition
14 of other media, such as trucks, provides an effec-
15 tive reduction in the freight rates on certain com-
16 modities and in certain areas, and, in consequence,
17 the revenue which is lost from these reduced rates
18 has to be obtained from other traffic which is
19 more securely bound to the railways due to relative
20 or actual absence of effective competition.

21 The competition afforded by the motor trucks to the
22 railways on traffic in, to and out of Nova Scotia
23 is not as pervasive as in other parts of Canada,
24 particularly central Canada. As a result, a
25 greater percentage of such traffic must bear the
26 full or a larger part of the impact of the freight
27 rate increases."

28 That the development of the trucking industry
29 in the maritimes has lagged behind the development of
30 the industry elsewhere in Canada appears to be at the root
of the argument of New Brunswick and Nova Scotia. The



contention is confirmed by the relevant statistics:

INDICATORS OF THE RELATIVE DEVELOPMENT
OF THE TRUCKING INDUSTRY IN DIFFERENT PROVINCES

1957*

Province	Intra-Provincial Traffic Gross Ton Miles per capita	Net Ton Miles per capita	Intra and Interprovincial Gross ton Miles per Capita	Net Ton Miles Per Capita
Nfld.	69.24	24.48	69.24	24.48
P.E.I.	227.37	94.24	238.79	100.67
N.S.	358.76	147.99	383.60	160.97
N.B.	200.92	84.06	250.63	115.61
Quebec	423.79	210.32	674.70	354.54
Ontario	766.12	370.92	915.14	453.07
Manitoba	312.09	135.75	746.25	349.84
Sask.	604.09	264.91	854.93	386.47
Alberta	1,293.43	580.73	1,855.88	877.65
B. C.	587.46	259.81	853.26	399.54

Source: Dominion Bureau of Statistics
Motor Transport Traffic Statistics.

* Each of the above quoted indicators is of some importance, and they supplement each other. Gross Ton Miles reflect not only traffic carried but also the type of equipment, since the vehicle weight is included in the "gross" figure. Net Ton Miles indicate work performed by trucks in terms of traffic carried. In view of different procedures relating to interprovincial traffic, reciprocity arrangements, etc., figures for traffic "within and outside the province" or "Intra- and Interprovincial traffic" appear to be a better measure of the trucking industry's development.



* All the four indicators are generally consistent, with the exception of Manitoba; the low per capita figure for intraprovincial truck traffic appears to be more the result of route pattern and the type of regulations in Manitoba than a reflection of an underdevelopment of Manitoba's trucking industry.

* Whichever indicator is used, the relative underdevelopment of the trucking industry in the maritime provinces is apparent.

There may be several reasons for the state of the trucking industry in the maritimes. Undoubtedly, road conditions, industrial and commercial development and density of population are important factors. It is reasonable to suppose that subsidized rail rates are also an important factor in retarding the development of truck competition.

It is a difficult matter to prove how the low rail rates for intra-maritime shipments have harmed the trucking industry, for the real harm is done not as much to the individual firms themselves as it is to the rate of growth of the industry.

Just how low the rail rates for intra-maritime shipments are is revealed by the Waybill Analysis which shows that despite a generally shorter average length of haul, intra-maritime rates, as reflected in the revenue-per-ton-mile figures, are generally lower for the maritimes than for central Canada.



1957 REVENUE PER TON MILE FOR INTRA-REGIONAL
SHIPMENTS

	<u>Maritimes</u>	<u>Central Canada</u>
Products of Agriculture	3.30 cents	2.09 cents
Animals and Animal Products	4.09 "	5.06 "
Products of Mines	1.27 "	1.79 "
Products of Forests	2.03 "	2.03 "
Manufactures and Miscellaneous	2.89 "	3.05 "
All Shipments	2.15 "	2.45 "

Source: Board of Transport Commissioners
for Canada, Waybill Analysis, 1957
(derived statistics)

1957 AVERAGE HAUL, INTRA-REGIONAL SHIPMENTS

	<u>Maritimes (miles)</u>	<u>Central Canada (miles)</u>
Products of Agriculture	185.3	265.8
Animals and Animal Products	253.0	241.1
Products of Mines	97.5	100.1
Products of Forests	151.6	242.5
Manufactures and Miscellaneous	194.0	214.2

Source: Board of Transport Commissioners
for Canada, Waybill Analysis, 1957,
(derived statistics)

It would appear from these figures that the trucking industry in the maritimes faces a lower level of rail freight rates than in central Canada. One can easily see that the Maritime Freight Rates Act has



1
2 effectively retarded the growth of truck competition with
3 the railways in the maritimes.

4 Because of the problem as outlined herein;
5 because a policy of subsidized transport (if subsidy
6 there must be) should mean more today than simply a rail
7 subsidy -- should comprehend that the truck transport
8 industry, hardly a consideration in 1927, is inexorably
9 a consideration today; we submitted, on April 6, 1959,
10 to the federal government's interdepartmental committee
11 on Atlantic provinces transportation, our case for
12 extension of the subsidy provisions of the Maritime
13 Freight Rates Act to include truck operations comparable
14 to those rail operations presently covered in the Act.
15 In this way, it would be possible to continue to give
16 effect to pre-Confederation promises without perpetuating
17 a single-minded recognition of the railways, which
18 today can only achieve distortion of the freight rate
19 structure in the maritimes.

20 Under date of July 10, 1959, the Minister of
21 Transport advised Canadian Trucking Associations that its
22 submission should be placed before the Royal Commission
23 on Transportation, the interdepartmental committee
24 being of the opinion that it was "a matter that was likely
25 to be controversial"; "that administrative problems would
26 be particularly difficult to handle and that problems and
27 conflicts of jurisdiction would arise."

28 As to the Committee's finding that our proposal
29 was "a matter that was likely to be controversial", it
30 is rather difficult to come to grips with a statement of
this nature, bearing in mind that every question the



1
2 Committee studied in relation to Atlantic provinces
3 transportation was likely to be controversial. Practic-
4 ally everything said to your Commission, apart from pure
5 statement of facts, is controversial. However, there is
6 a growing body of opinion in the maritime provinces,
7 outside the realm of those who make their living from
8 the trucking industry, who are affected as shippers by
9 the workings of the Maritime Freight Rates Act and who
10 believe that the time has come to take a new look at how
11 the intent of the Act can be properly fulfilled in terms
12 of conditions of the year 1960 -- not the year 1927.

13 This was stated in the submission presented to your
14 Commission at Fredericton on November 9 by Hon. Hugh
15 John Flemming, Premier of New Brunswick, when he said
16 (Volume 3, page 242):

17 "This Commission should explore various means of
18 amending the Maritime Freight Rates Act so that
19 it may fulfill its original intention. A number
20 of methods of doing this have been suggested. For
21 example ... certain classes of shippers hold they
22 would benefit if they had greater freedom in
23 choosing forms of transportation for their products."

24 Several proposals were reviewed by Premier
25 Flemming in New Brunswick's submission on the Maritime
26 Freight Rates Act, and of these -- including the belief
27 of certain classes of shippers that they would benefit if
28 they could, under the Act, choose their form of trans-
29 portation --- the Premier, at pages 242-243 of the
30 transcript, stated:



1
2 "The proposals, of course, raise problems of consider-
3 able complexity but they might well be the means
4 of attaining the desired end. That is, to open
5 up expanding markets in the rest of Canada which
6 will enable New Brunswick and the other Atlantic
7 provinces to share more fully in future Canadian
8 growth."

9 As to whether subsidization of truck
10 operators could be put into effect under the Maritime
11 Freight Rates Act, having regard for the supposed
12 administrative difficulties, it must be assumed that these
13 administrative difficulties are envisaged in respect to
14 the small trucking firms. We believe that the adminis-
15 trative difficulties are exaggerated, particularly with
16 regard to the subsidy on extra-provincial freight
17 movements, for only a few relatively large and established
18 motor carriers are involved in the carriage of this traf-
19 fic. In regard to shipments within the maritimes, it
20 may be that the machinery provided under the present
21 Maritime Freight Rates Act is inadequate to permit the
22 Act to be applied to all freight movements by truck or
23 rail. This should not be used as an excuse to avoid
24 the issue. It is in the field of intra-maritime ship-
25 ments that assistance to shippers using truck transport
26 could have its most beneficial effect on the commerce
27 of the maritimes. Indeed, there may be other means of
28 assisting maritime commerce which would achieve the
29 purpose of government policy in relation to the maritime
30 provinces, without, at the same time, establishing forces
within the maritime transportation industry which tend



1
2 to decrease, instead of increase, the development of
3 maritime commerce.

4 We know of no problems and conflicts of juris-
5 diction -- assuming that the words "problems" as well
6 as "conflicts" relate to jurisdiction -- which arise
7 under the British North America Act in respect to the
8 payment of a subsidy by the federal government to a
9 truck operator, intra-provincial or interprovincial.
10 There is a small group of intraprovincial firms in the
11 trucking industry whose movement of a commodity has long
12 been aided by a federal government subsidy paid to the
13 shipper specifically in relation to the truck movement.

14 Q. Now, Mr. Magee, would you be good enough
15 to discuss the next subsidy we have heard about - the
16 bridge subsidy?

17 A. The east-west bridge subsidy came into
18 effect as a result of the recommendation of the Turgeon
19 Royal Commission on Transportation in 1951. The
20 purpose of the subsidy, as stated at page 253 of the
21 Commission's report, is as follows:

22 "It is the existence of this necessary link between
23 Canada's two vast areas (east and west) that must
24 be recognized. It is called for, not only by
25 the requirments of the exchange of goods for
26 commercial purposes, but also by those of our
27 national defence structure. The problem presen-
28 ted is that of maintaining this link so long at
29 least as it does not provide sufficient revenue
30 for its own maintenance. This problem concerns the
whole country and not only its western portion,



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2 "and the responsibility for its solution should be
3 assumed by the nation as, for instance, in the case
4 of the maintenance of our canal system.

5 It would appear suitable, in these circumstances,
6 to provide that the cost of maintaining that portion
7 of our transcontinental railway system which serves
8 as a link or bridge between east and west be charged
upon the general revenues of the country."

9 The subsidy, amounting to \$7 million per year,
10 is authorized in section 468 of the Railway Act, and
11 applies to traffic moving in both directions over the
12 "bridge" -- the trackage between Sudbury and Fort William
13 on the C. P. R. and between Capreol and Fort William and
14 between Cochrane and Armstrong on the transcontinental
15 lines of the C. N. R. As administered by the Board of
16 Transport Commissioners, the subsidy has taken the form
17 of a reduction of non-competitive rates -- never, thus
18 far, of competitive rates or agreed charges -- in the
19 amount of \$7 million. The railroads are paid the
20 reduced rate by the shipper. The difference between
21 the reduced rate and the rate the shipper would have
22 been charged if the subsidy was not in existence is paid
23 to the railroads by the government.

24 Generally, the bridge subsidy is open to the
25 same kind of criticism as the type of the freight rate
26 reduction subsidy paid under the Maritime Freight Rates
27 Act. It permits the establishment of artificially low
28 rates on certain freight movements and, therefore, inter-
29 feres with the pricing mechanism. It also, in time,
30 may produce some of its own peculiar problems. As the



1
2 proportion of freight carried over the bridge under
3 competitive rates increases, the freight eligible for the
4 subsidy will decrease. Because the payment of \$7 million
5 annually does not vary with the amount of freight,
6 individual freight movements may become very heavily
7 subsidized, and the rates completely unrealistic. As
8 a measure to ensure a contribution to the overheads of
9 the bridge section of the railways' trackage, the mechanics
10 of this subsidy were an adequate compromise in 1951, and
11 the subsidy was not then opposed by Canadian Trucking
12 Associations. It would appear that the mechanics will
13 be inadequate in the future. As a measure to assist the
14 commerce of the country in overcoming the disadvantage of
15 geography, it is effective only to a limited degree.
16 The long haul across the area north of the Great Lakes
17 is the paramount factor in determining the cost of moving
18 freight, even when freight moves under competitive rates.
19 It is possible that a very large proportion of freight
20 movements across the bridge area will soon move by truck
21 or rail under competitive rates. The rates will be com-
22 petitive but the cost to the shipper will remain relat-
23 ively high and under the present bridge subsidy no assis-
24 tance will be given to shippers who pay competitive rates,
25 despite the fact that they too bear the cost of the
26 "bridge."

27 Q. Now, Mr. Magee, would you please give the
28 Canadian Trucking Associations' views with respect to the
29 \$20 million subsidy paid last year.

30 A. The \$20 million subsidy brought into
existence in the Freight Rates Reduction Act of 1959,



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2 opposed by Canadian Trucking Associations, was limited
3 in its application to one year and was applied to the
4 proportionate reduction of all non-competitive rates
5 which had taken the full 17 per cent increase. To the
6 extent that this subsidy was a temporary measure, and
7 applied only to non-competitive rates, it had little,
8 if any, effect on the trucking industry outside of the
9 province of Quebec but in Quebec a number of truck oper-
10 ators experienced from the subsidy a direct impact on
11 their rate structure. It is our submission that this
12 kind of subsidy is wrong in principle. We are strongly
13 opposed to its extension and to the creation of subsidies
14 which may follow it in form. How was it that such a
15 subsidy could even be considered by the government?
16 The most restrained explanation is that it must have
17 been concluded that there is a monopoly in the carriage
18 by rail of particular traffic, and no corrective action
19 can be expected from the railways' competitors. This
20 is not the case with regard to traffic in Canada which
21 moves under non-competitive rail rates. In the past,
22 there has been a continual movement of traffic away
23 from non-competitive to competitive rates and agreed
24 charges, due primarily to truck competition. We have
25 shown in other sections of this submission that trucks
26 are hauling an increasing variety of products and that
27 trucking is a potential competitor of the railways
28 for all of the goods now hauled by rail.

26 It may be argued that this particular subsidy
27 can be justified because it was only a temporary sub-
28 sidy. That is one of the major premises which Canadian
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2 Trucking Associations was compelled to reject last year.
3 The western and maritime provinces fought for it with
4 their representations in camera to the governor in
5 council. With new representations in camera to the
6 governor in council, some, if not all, of the provinces
7 are doing everything in their power to immortalize it --
8 exactly as we predicted last year. If the subsidy is
9 continued for another year it is much more likely that
10 it will become a more permanent part of the Canadian
11 transportation scene, as its supporters apparently
12 intend.
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(Page 10616 follows)



1 The Freight Rates Reduction Act created a
2 subsidy which violates the most fundamental principles
3 of subsidization. First, the subsidy is not self-
4 liquidating, as it established a monopoly for rail
5 traffic in the haulage of certain freight. By pulling
6 down the rates for the movement of the freight to an
7 artificially low level it retards the development of
8 competition for the carriage of such freight and thereby
9 preserves the very situation which was advanced as
10 justification for Government action in the first place.
11 The advocates of the subsidy claim that is is the non-
12 competitive rates that take the burden of freight rate
13 increases. By subsidies of this nature the burden is
14 not removed -- it is still right here in Canada, simply
15 shifted from the individual shipper to the public at
16 large, to remain a continual burden on the public purse.

17 In order to assess properly the danger of this
18 subsidy it must be considered in its historic context.
19 By granting it, the Government mitigated the effects of an
20 increase in freight rates necessitated by the increase in
21 railway wages in 1958. Future pressures upon the freight
22 rate structure will undoubtedly come from the same source,
23 and with the creation of such a precedent there will be
24 a strong temptation to apply the same remedy. It must be
25 anticipated that if such a subsidy is to be a precedent
26 for future relief to the long-haul shipper, the position
27 of the railways in future wage negotiations will be greatly
28 weakened, and a strong inflationary pressure will be
29 introduced into the economy. The Freight Rates Reduction
30 Act created a subsidy which is not self-liquidating and which,



1 in addition, has a tremendous growth potential.

2 The second point to be made about the 1959
3 subsidy is that it is not easily recognizable. It has
4 been called for particularly by those regions which
5 suffer the disadvantages of long-haul freight movements,
6 yet its benefits are applied to all regions and shippers.
7 Thus, the only certain effect it has is that it insulates
8 a whole class of traffic from the possibility of competi-
9 tion.

10 We urge that, if the Government yields to the
11 pressure undoubtedly being brought to bear upon it for
12 extension of the one-year freight rate reduction subsidy,
13 the Commission recommend in its report that the subsidy
14 be discontinued.

15 Q. Mr. Magee, as the next part of this section
16 of your submission will you please give Canadian Trucking
17 Associations' views on the railway proposal for the Crows
18 Nest Pass rates?

19 A. The railways have asked for financial relief
20 to compensate them for the deficit they say they incur by
21 handling grain traffic for export at the statutory rates.
22 The mechanics for subsidy payments proposed by the CPR
23 differs from the mechanics proposed by the CNR. In
24 principle, however, the two railways are asking for the
25 same thing; they want what they say is fair remuneration
26 for the work they do in handling the export grain traffic
27 and they do not want to increase the Prairie farmer's cost
28 of getting his grain to market. The railways have made
29 it apparent that they favour a method whereby a subsidy is
30 paid to them rather than to the shipper; they would be the



1 recipient of the subsidy which would be paid on behalf
2 of the shipper.

3 Before discussing our views on this subsidy
4 we would like to consider two aspects of it -- its size
5 and its capacity for growth.

6 The railways last year submitted that the
7 Commission should recommend a subsidy for the export
8 grain movement in an amount that will increase their
9 revenues by \$70,500,000 per year. In 1959, the budget
10 of the Government of Canada included a total of
11 \$110,500,000 which was to be paid as direct subsidies for
12 railways (including the estimated deficit of the CNR).
13 Of this sum, \$56,500,000 was accounted for by annual
14 subsidy payments; \$20,000,000 by the temporary subsidy
15 paid in 1959-60; and \$34,000,000 by the estimated deficit
16 of the CNR. Thus, the proposed new subsidy would be
17 greater than all such existing annual subsidies combined--
18 and it would necessitate an increase of \$26,000,000 in the
19 amounts to be paid by the Government for subsidizing rail
20 freight movements, or rail transport, assuming the
21 "temporary" subsidy is discontinued and the CNR incurs no
22 deficits in the future. From the point of view of size
23 alone the proposed Crow rate subsidy is a most important
24 freight rate subsidy.

25 It is an inherent characteristic of the proposed
26 subsidy that its size will vary absolutely with railway
27 costs. Because of this, it has a greater potential for
28 growth than any subsidy now paid to the railways. Under
29 the proposed subsidy, the shipper will always pay from his
30 own pocket a constant rate, whereas in all other subsidies



1 the rate the shipper pays will bear some portion of the
2 increases necessitated by rising costs. The likely result
3 is that the amount of the subsidy would rise very rapidly
4 from year to year. For example, in 1950, before the
5 Royal Commission on Transportation, the CPR estimated
6 that its maximum deficit in 1948 from the carriage of
7 grain at the Crow's Nest rates was \$16,947,000. (Report
8 of the Royal Commission on Transportation, 1951, page 244)
9 Today, their estimates are in the neighbourhood of
10 \$35,000,000. This comparison has, of course, assumed
11 that the cost studies by the CPR on both occasions were
12 comparable and that they correctly indicate the increase
13 in the cost of providing service in the interval between
14 the two studies. In any event, unless the Commission
15 is convinced that railway costs are not going to increase
16 in the future, it will have to consider the fact that a
17 subsidy which is paid on the basis proposed by the railways
18 will increase absolutely with cost increases from year to
19 year. The increase over a given period will be much
20 larger than the increase of any subsidy which is now
21 being paid in respect to freight movements during the
22 same period.

23 In discussing these features of the proposed
24 subsidy, it is not our intention to attempt to develop an
25 argument against a recommendation by this Commission for
26 some form of relief for the railways in respect to the loss
27 they may incur for the carriage of grain at statutory
28 rates. If relief is justified we would be inconsistent
29 if we argued against it. It is basic to our position that
30 whenever government policy artificially depresses the level



1 of freight rates, steps should be taken to restore an
2 environment that will not prejudice the growth of com-
3 petition for the traffic affected by the rates.

4 The fact that a larger amount of money is
5 involved in respect to the proposed Crow rate subsidy
6 than in respect to any existing subsidy for Canadian
7 freight movements; the expectation that the proposed
8 subsidy can be expected to increase materially from year
9 to year; are good reasons to consider carefully the
10 form of the subsidy proposed. It is our conviction that
11 it would be wrong to commit the people of Canada to such
12 a large and growing annual payment unless some steps are
13 taken now to ensure that the subsidized traffic will
14 always move in the most efficient manner today. If a
15 subsidy is established in respect to statutory grain
16 movements and the subsidy is withheld from all transport
17 except rail, the government will have established a per-
18 manent rail monopoly of the grain movement. Trucks do
19 not carry export grain moving under the 1899 rate levels
20 because the rates for this traffic are below the level
21 at which it is economic for trucking firms to enter into
22 competition with the railways. However, an immediate
23 result of the payment of the proposed subsidy will be the
24 doubling of the rates received by the railways, with the
25 possibility of further increases of rates as costs increase.
26 At some stage, the effective rate the railways receive as
27 a result of the subsidy may be high enough to open the way
28 for trucking firms to compete with the railways. It would
29 not be a wise policy to close the door to this possibility.
30 Trucks are moving an increasing quantity of grain in the



1 United States in competition with the railroads. There
2 is good reason to believe that trucks will be able to
3 compete for this traffic in Canada.

4 It is our hope that if the Commission considers
5 it advisable to recommend to the Government a subsidy
6 for the movement of grain at statutory rates, it will
7 do so in a manner that will not prejudice the opportunity
8 of competitive growth by truck transport as compared with
9 rail transport. It is our suggestion that if you decide to
10 recommend a measure of relief such as the railways are
11 proposing in regard to the Crow's Nest Pass Rates, any
12 subsidy should be paid directly to the shipper who, in
13 this case, is primarily the Canadian Wheat Board or its
14 agents; that the shipper should be free to select the
15 carrier he will use to carry freight; and that freight
16 rates for grain be permitted to move to a just and
17 reasonable level as may be determined by the usual
18 procedures of railway rate making.

19 Q. Mr. Magee, you have suggested that the
20 trucking industry may some day compete for the carriage
21 of the traffic which now moves under statutory rates.
22 Have you any information which would help this commission
23 to assess how realistic this suggestion is?

24 ---Short recess.
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2 Q. Mr. Magee, at the break I had stated to
3 you that you have had completed a suggestion that the
4 trucking industry some day might compete for the traffic
5 which moves under statutory rates, grain. Have you
6 any information which would help the Commission to assess
7 how realistic your suggestion is?

8 A. Yes. We have attempted to acquaint
9 ourselves with the condition under which this traffic
10 moves in Canada and with the development of the truck
11 movement of grain in the United States. Mr. Montague
12 undertook this work for us and on our behalf went to
13 Washington and Winnipeg and interviewed the people.
14 What information he has is available to the Commission,
15 and he will, of course, be one of our witnesses during
16 cross-examination.

17 With particular regard to the development of
18 the trucking of grain in the United States, there is
19 an informative study now available from the Department
20 of Agriculture relating to this development in the
21 southwestern United States, and I understand another
22 study will be available shortly from the same source
23 on the trucking movement of grain in the American
24 northwest.

25 MR. HUME: Mr. Chairman, I have a copy of
26 a publication from the United States Department of
27 Agriculture, Production and Marketing Administration,
28 dated May, 1952, entitled "Transportation and Handling
29 of Grain by Motor Truck in the Southwest." I would
30 like to file that as an exhibit. I have only one copy,



1 but if the Commission would like additional copies I
2 am sure the Department of Agriculture will make them
3 available. That will be Exhibit 130.
4

5 ---EXHIBIT NO. 130: Publication entitled "Trans-
6 portation and Handling of Grain
7 by Motor Truck in the Southwest."

8 THE CHAIRMAN: I wonder if you know what the
9 situation is at the terminals for truck deliveries?

10 MR. HUME: Mr. Montague has gone into that,
11 and I think rather than interrupt our presentation at
12 this time, Mr. Montague will be here, and we have
13 information.

14 THE CHAIRMAN: And, furthermore, we are going
15 to Fort William on the 20th of May, and you probably
16 will be there.

17 MR. HUME: Q. Now, Mr. Magee, in the
18 publication which I have just filed as Exhibit 130 there
19 were certain photographs demonstrating the mechanics
20 of truck unloading of grain at terminals in the United
21 States. You have reproduced some of these photo-
22 graphs for the benefit of the Commission?

23 A. Yes.

24 MR. HUME: May I therefore file, Mr. Chairman,
25 as Exhibit 131, a series of five photographs which are
26 merely reproductions of photographs appearing in
27 Exhibit 130, and I have sufficient copies for all of
28 the Commission and anyone else who may wish to see them.

29 ---EXHIBIT NO. 131: Series of five photographs.
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1
2 Q. Mr. Magee, would you just very briefly
3 identify those photographs as to what they are?

4 A. Well, they are photographs, Mr. Hume,
5 showing the type of loading and unloading facility
6 for grain that is used in the United States, showing
7 various types of equipment, and I understand that in the
8 new report that is coming out it is to be illustrated,
9 too. I think it will be much the same in regard to
10 the illustrations, although the trucks may be a little
11 bigger.

12 Q. Mr. Magee, would you complete this
13 section of your submission by giving the Canadian
14 Trucking Associations' views on the trucking industry
15 and the subsidies, your summary of the section?

16 A. The trucking industry is not asking for
17 subsidies as such. Our objective is to ensure that the
18 industry is treated fairly, and that it is able to
19 develop to the full extent that its competitive position
20 will allow. If there are ways, other than subsidizing
21 movements of traffic by truck, of achieving this ob-
22 jective while traffic carried by the principal com-
23 petitor of trucking is increasingly subsidized, we would
24 feel bound to ask the Commission to consider them. It
25 may be possible to deal with the situation and, at the
26 same time, evolve needed transportation policies, by
27 paying subsidies direct to shippers or by abolishing
28 subsidies in favour of assisting the intended benefi-
29 ciaries of the policies in some manner other than by
30 lower freight rates. However, to some extent, direct



1
2 subsidy of freight movements by truck may be the only
3 practical way of implementing a transportation policy
4 fairly. Therefore, we propose to examine some of the
5 ramifications of subsidization of trucking.

6 It may be argued that the extension of subsidies
7 to the movement of freight by truck would increase un-
8 justifiably the amount of the subsidy payment and the
9 costs of administering the subsidy. This is not
10 wholly true. In the case of a subsidy paid for rail
11 freight moving under non-competitive rates, an extension
12 of the subsidy to freight traffic moving by truck would
13 not mean any appreciable increase in the amount of
14 the subsidy payments. The railways now carry the bulk
15 of this traffic; subsidies paid for truck movements in
16 the future will be offset by an equivalent reduction in
17 the subsidy paid for rail movements.

18 The costs of administering a subsidy will
19 vary to some extent with the number of firms or institu-
20 tions the administrative body has to deal with. The
21 major subsidized freight movements do not involve a
22 large number of carriers. The number of trucking firms
23 to whom the bridge subsidy would be applicable --
24 supposing that freight shipments by truck were to be
25 given the bridge subsidy -- is relatively small and the
26 same is true of interprovincial truck operators affected
27 by the maritime freight rates subsidy. The addition
28 of such firms would not appreciably increase the ad-
29 ministrative costs of applying the subsidies.

30 We realize that every situation for which a



1
2 subsidy exists or is proposed will require individual
3 consideration. It may not always be possible to recon-
4 cile all the varied interests which may be affected
5 by a given transportation policy. We do ask that the
6 Commission carefully review such situations, and the
7 subsidies which may result therefrom, on the basis of
8 these practical considerations:

9 (i) Whenever policies are evolved which may
10 result in subsidies, the method of paying
11 the subsidy should be such that it does
12 not interfere with the natural development
13 of competitive forces.

14 (ii) Whenever it is not possible or practical
15 to pay the subsidy to the shippers or to all
16 types of competing carriers, methods of
17 implementing policy other than by subsidy
18 should be considered.

19 (iii) Whenever a relatively few shippers are
20 involved -- for example, shippers of grain
21 or coal -- the subsidy should be paid to
22 the shipper.

23 (iv) Whenever many shippers are involved and there
24 are relatively few carriers, subsidies should
25 be paid to the carrier.

26 Q. Mr. Magee, that completes this section
27 of the submission dealing with subsidies. Your next
28 section expresses the views of the Canadian Trucking
29 Associations on agreed charges, and I wonder if you
30 would be good enough to present this now to the



1 Commission?

2
3 A. Agreed charges have become a part of
4 the competitive rate making of the railways. Their
5 importance and scope has been consistently increasing
6 over the last decade. Today agreed charges are a
7 much more important factor in the transport market
8 than they were in 1954 when Honourable W. F. A. Turgeon
9 was appointed to conduct an inquiry as a Royal Commis-
10 sion on Agreed Charges. In view of the growing
11 importance of this subject and the obvious relevance
12 it has to the scope of the present inquiry, Canadian
13 Trucking Associations considers it its duty to submit
14 its views on this problem, together with proposals
15 relating to the practice of agreed charges.

16 THE CHAIRMAN: I suppose these views are
17 consistent with your views before the Turgeon report?

18 MR. HUME: Well, with modifications. I
19 think, Mr. Chairman, that before the Turgeon Commission
20 of 1954, at which I had the honour to represent the
21 industry, we were opposed to them, period. In 1960 --
22 I don't want to anticipate this submission, but they are
23 now accepted as an economic fact of life, and we are
24 attempting now -- we have certain modifications -- to
25 try to be realistic. They are here, and perhaps at
26 the end of the submission the shift that is made for
27 practical purposes, and also from the standpoint of
28 common sense, will be seen.

29 THE CHAIRMAN: That is, you want to take
30 the position of being realists?



MR. HUME: We hope to be, Mr. Chairman, yes.

Q. Would you continue, M^r. Magee?

A. The importance and scope of agreed charges has been increasing during the last decade, and the rate of increase has been particularly rapid since 1953, as the following table indicates.

Development Trends of Agreed Charges
in Canada

1949 - 1958

Year	Traffic Volume moving at agreed charges as % of total carload traffic	Average Revenue cents per ton-mile	Average length of haul miles
1949	.8	3.2	94
1951*	1.1	3.53	96
1952	1.3	3.51	111
1953	1.8	3.40	134
1954	3.2	2.87	207
1955	4.3	2.91	319
1956	5.1	2.85	324
1957	7.2	2.65	375
1958	8.6	2.47	348

* January, April, July sample.

Source: Board of Transport Commissioners
for Canada, Waybill Analysis,
1949-1958.

The facts stand quite clearly from this
tabulation:

- (1) Agreed charges, which originally formed a small and insignificant part of total railway traffic, have become one of the more important traffic categories.



1
2 (ii) The growth of agreed charges parallels
3 recent developments in the trucking industry,
4 and can be related to the growth of truck
5 competition.

6 (iii) The average rate of agreed charges shows a
7 definite down trend. Some lowering of rates
8 was to be expected, as the length of haul
9 increased. However, our view is that the
10 fall in the average rates indicates that
11 agreed charges are no longer restricted to
12 high rated traffic but that more and more
13 commodities are carried under agreed charge
14 rates. This is very apparent in the fall
15 of the revenue per ton mile from 2.65 cents
16 in 1957 to 2.47 cents in 1958, a period when
17 average length of haul decreased. It must
18 be remembered that even by remaining constant
19 in a period of rising rail rates the agreed
20 charges have a greater competitive impact.
21 The downward tendency gives greater emphasis
22 to this feature of these rates. The
23 agreed charge is a more potent competitive
24 weapon today than it was at the time of the
25 Royal Commission on Agreed Charges in 1954
26 because now more traffic is carried under
27 agreed charges and at a more competitive
28 rate.

9 (iv) The average length of haul has been consistently
10 increasing, which indicates the importance of



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Magee, dir
(Hume)

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2 truck competition for longer-haul traffic as
3 well as the determination of the railways to
4 preserve all the traffic which is potentially
5 competitive.
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12 (Page 10633 follows)
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1 WHAT IS THE REAL NATURE OF AGREED CHARGES?

2 On one hand, agreed charges can be considered
3 as a means of translating the general benefits of com-
4 petition into lower rates to the consumer, and, as such,
5 are an important manifestation of competitive benefits
6 brought about by the trucking industry.

7 On the other hand, agreed charges can be
8 considered potent monopolistic weapons; means through
9 which competition against the railways can be weakened
10 and eliminated and the monopolistic position of the
11 railways re-established. As such, they should be viewed
12 with concern by the public.

13 In other words, agreed charges present a
14 paradox; a mixture of competitive benefits on the one
15 hand and restrictive practices aimed at the elimination
16 of competition on the other.

17 An agreed charge is more than a volume discount --
18 a sort of "super-carload competitive rate." The essential
19 feature of an agreed charge is the tying-in of the
20 shipper's traffic to the railways, which withdraws a
21 particular traffic from the competitive field.

22 The Turgeon Royal Commission on Agreed Charges
23 considered these points, and arrived at certain re-
24 commendations. These recommendations were based on the
25 evidence produced in 1954, and were necessarily based on
26 1953 experience. Seven years have passed since this time.
27 The analysis contained in Hon. Mr. Turgeon's report should
28 be re-examined.

29 Hon. Mr. Turgeon made an analysis of the trucking
30 industry, both as a cause of agreed charges, and as an



1 industry which would be most affected by the practice.
2 This analysis is best summarized by quotations from the
3 report itself. For the purpose of easy reference the
4 selected statements and necessary introductions are
5 numbered here:

6 i. "...the practice of agreed charges was
7 introduced into Canada mainly for the pur-
8 pose of enabling the railways to cope more
9 effectively with the competition of the
10 trucks. This purpose must therefore be
11 kept in view when changes in the law are
12 being considered, and must prevail against
13 objection, as long as it does not go far in
14 creating injustice towards truckers or
15 others." (page 26)

16 ii. The assessment of the effects of the relaxa-
17 tion of regulations relating to agreed
18 charges reads as follows:

19 "I am impressed with the belief that the
20 motor industry has become a factor of
21 permanent value in Canada's economic life
22 and that no legislation concerning railways,
23 and, more specifically, the legislation of
24 the kind now contemplated, can cause it
25 vital damage." (page 26)

26 iii. This belief in the trucking industry's
27 invulnerability is based on the following
28 reasoning:

29 "...the highway vehicle has become a most
30 effective means of transportation for all



1 but the lowest-valued bulk commodities,
2 wherever distances and condition of the
3 highway are favourable. These advantages
4 are not present in all highway carriers
5 but they are sufficiently general, with
6 their continuing extension to new traffic,
7 to warrant a full reconsideration of the
8 respective roles that these two main types
9 of transport may and ought to perform in
10 the immediate future." (page 23)

11 iv. In addition, the trucking industry possesses
12 a "great diversity in size and extent of
13 individual highway carriers' operations ..."
14 "...When mention is made of the trucking
15 industry a vast number of independent organ-
16 izations are referred to, each with its
17 own capitalization, operating characteristics
18 and costs, and its own specialized traffic
19 and area of operation. ...When we add to
20 these characteristics that of relative ease
21 of entry into the industry and the relatively
22 quick liquidation of uneconomic operations,
23 we may gain some conception of the formid-
24 able nature of the competition that highway
25 transport in general offers to the older,
26 more rigidly constituted, types of transport."
27 "Basic to the competitive strength of
28 highway transport is the fact that while
29 individual operators may retire from business
30 or go bankrupt, there is always the



possibility of replacements moving in
quickly." (page23-24)

v. The third advantage of the trucking industry
is its freedom from regulation, and "... no
one advocates the regulation of highway
transport in the interest of the railways."
(page 25)

vi. Consequently

"...I think the most striking development
to be noted during the last few years is
the growth in the size, the efficiency and
the prosperity of the trucking industry on
the one hand, and, on the other hand, the
great deterioration to be seen in the
financial position of the railways despite
all they have achieved in the way of
improving their property and their services.
This railway situation is opposed to the
national interest." (page 26)

The pattern of transport development today is
more clear than it was in 1954. How well does Mr.
Turgeon's analysis stand in the light of presently known
facts?

To summarize Mr. Turgeon's argument briefly, it
was that agreed charges were a legitimate competitive tool
necessitated by truck competition; that agreed charge
rate making should not be interfered with unless it was
unfair to truckers and others; that no protection from
the practice of agreed charge rate making was necessary
for the trucking industry because it was well established.



1 had inherent service advantages, and the nature of the
2 industry and the lack of regulation permitted a flexibility
3 and ability to meet competition which the railways did
4 not have; and that the relative lack of prosperity in
5 the railroad industry demanded that in the national
6 interest they be permitted to use this competitive tool --
7 agreed charge rate making -- without restriction.

8 It is submitted that the fact that the trucking
9 industry was well established and the fact that it has
10 certain inherent advantages are not in themselves reasons
11 why it should be subjected to competitive practices which
12 may necessitate serious readjustments from time to time.
13 Therefore, the crucial point in Mr. Turgeon's analysis is
14 the ability of the industry to contract and expand with
15 minimum dislocation -- the "ease of entry and exit into
16 the industry" mentioned in quotation iv. Viewed in
17 retrospect it is submitted that Mr. Turgeon erred. It
18 must be admitted, however, that at the time of the report
19 the development trends of the industry were not as clear
20 as they are now.

21 As was shown in Section 3 of this submission,
22 the trucking industry is now moving at an accelerating
23 pace towards heavy capitalization and larger firms. This
24 is the direct result of competitive measures and rising
25 costs. The ease of entry and exit, whether or not it was
26 true in the past, is definitely not true today. In order
27 to perform its economic functions efficiently the trucking
28 industry needs a certain degree of stability and a certain
29 level of profitability to attract new capital and to
30 provide sources of "internal capital" for further



1 re-investment. It also needs stability because individual
2 firms employ more people and management and operating
3 teams cannot be built up overnight.

4 The point we make is this: the trucking
5 industry is no longer one large group of one-man operators
6 who can enter and leave the industry at will. It has
7 acquired all the features of modern industry and must be
8 treated as such. It is a competitive industry and it does
9 not claim any special protection. It needs and deserves,
10 however, an assurance of the same protection against
11 destructive practices of monopolistic competition as
12 would be given to any other sector of the national economy
13 threatened with major dislocations.

14 It may be argued that so far agreed charges have
15 not succeeded in the elimination of the trucking industry;
16 that the industry has managed to expand during the period
17 in which agreed charges expanded from less than 1 per cent
18 of railway carload traffic to almost 10 per cent of this
19 traffic. The answer to this argument is as follows:

20 i. The present scope of agreed charges is not
21 a final limit of the development, and, if
22 the past trend continues, the 8.6 per cent
23 of 1958 traffic volume may become 16 per
24 cent by 1962 or 1963, assuming that the
25 proportion of agreed charges will double
26 again in four years. This quantitative
27 difference is bound to more than double the
28 competitive impact on the trucking industry.

29 ii. The real effects on the growth of the
30 trucking industry are obscured by the fast



1
2 economic development of the country. In
3 other words, other factors favouring the
4 development of the trucking industry have so
5 far diminished the adverse effect of agreed
6 charges. However, as the economic develop-
7 ment of the country tapers off it may become
8 more apparent how successful agreed charges,
9 as a weapon to shift truck-developed traffic
10 to the railways have become.

11 In the past, the trucking industry has
12 made dire predictions as to the effect of agreed charges
13 upon our industry. We made these predictions in good
14 faith, based upon the facts as they existed at the
15 time and upon our fear of this extremely potent com-
16 petitive weapon which was being used by the railways.
17 Many of our predictions did not come to pass and
18 because of the flexibility of our industry, not because
19 of our inherent advantages, but because of far-sighted
20 resistance to the agreed charge principle on the part
21 of certain shippers and because of changes in the
22 basic facts which determine the economics of our
23 industry.

24 Q. May I interrupt you, Mr. Magee, to ask,
25 just in passing, whether you have anywhere in this brief
26 any evidence that the members of your industry have
27 experienced any difficulty because of the use of agreed
28 charges as a competitive weapon?

9 A. Well, in Appendix "A" at page 14
10 you will see that 71 per cent of the firms interviewed



1
2 by the Associations' representatives during that economic
3 analysis of the industry indicated that they had ex-
4 perience difficulties from agreed charges.

5 Q. And that is Appendix "A" to this brief
6 at page 14?

7 A. That is right.

8 Q. Will you continue, please?

9 A. For example, in February 1959, the
10 railways approached petroleum product shippers in
11 western Canada with a proposal for an agreed charge for
12 the haulage of petroleum products. The rate offered
13 by the railways was extremely favourable to the shippers,
14 but it required that the shipper move more than 90 per
15 cent of his products throughout the western provinces by
16 rail. Had the major shippers in western Canada accepted
17 this agreed charge -- and they all considered it care-
18 fully -- it would have meant the virtual disappearance
19 of this traffic for the trucking firms and the ruin of
20 the large bulk tank truck carrier firms in western
21 Canada. As it happened, one of the major shippers
22 chose not to accept the agreed charge. At the same
23 time, road weight limits were increased, where this
24 was necessary, so that the western Canadian firms were
25 able to continue in business and offer better rates to
26 their shippers. But weight limits cannot be raised
27 indefinitely. Some day the railways may offer such
28 a low agreed charge rate that no shipper can afford to
29 refuse it; at that time the predictions of the trucking
30 industry as to the competitive power of the agreed



1
2 charge rate will be realized.

3 It is submitted that the problem posed by
4 the use of agreed charge rate making is how to prevent
5 the agreed charge from being used as a means of
6 deliberately eliminating competition, and, at the same
7 time to continue to reap the benefits of the compe-
8 titive atmosphere which it has created.

9 The present safeguard is the right of appeal
10 to the Governor in Council. The effectiveness of
11 this safeguard is still doubtful in view of the lack
12 of experience and lack of criteria against which such
13 an appeal would be considered. It is submitted that
14 the solution to the problem should satisfy two condi-
15 tions:

16 (a) The appeal procedures should be made more
17 effective.

18 (b) The potentially monopolistic element of the
19 agreed charges should be circumscribed.

20 THE CHAIRMAN: Have there been any appeals?

21 MR. HUME: No.

22 THE WITNESS: Not by any of the trucking
23 associations, sir, and not by any of the truck operators.
24 There has been an appeal, I believe, by the Government
25 of Alberta to the Governor in Council.

26 Q. Will you continue, please?

27 A. We suggest that appeal procedures be
28 improved by granting a right of appeal for competing
29 carriers to the Minister of Transport for the purpose
30 of having the appeal referred for investigation to the



1
2 Board of Transport Commissioners on the grounds of

3 A. Public interest, which in concrete terms
4 would mean actual or potential elimination
5 of a competing sector of the industry;

6 B. The non-compensatory character of the rate,
7 which, of course, is a prima facie case of
8 unfair monopolistic practice.
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15 (Page 10648 follows)
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2 Such a right of appeal would not put too onerous
3 restrictions on railway rate making policies. It would,
4 however, act as a stronger safeguard against gross
5 abuses of the agreed charges method than present appeal
6 procedures.

7 Q. In that connection, Mr. Chairman, may I
8 offer -- and I don't know whether you want to mark it
9 as an exhibit -- but Canadian Trucking Associations
10 has a suggested amendment to the Transport Act which
11 was referred to in this section, amending subsection 1
12 of section 33 of the Transport Act to give effect to what
13 has just been said that, in place of the appeal being
14 to the Governor in Council, that the motor vehicle or
15 association operator, including other people, may com-
16 plain to the minister ---

17 THE CHAIRMAN: Well, we could take it right
18 into the record.

19 MR. HUME: We could. I am mindful of the
20 request of this Commission that when someone suggests a
21 statute be amended, you would like to see our views.
22 I have 25 copies and they can be taken into the record,
23 if that is your wish.

24 MR. COOPER: Mr. Chairman, I think we could
25 take it right into the record.

26 MR. HUME: This is a suggested amendment to
27 the Transport Act referred to in section 6, paragraph 21,
28 of the submission of this Association, and it will read:

29 "Suggested amendment of the Transport Act referred
30 to in section 6, paragraph 21 of the submission
of Canadian Trucking Associations.



1
2 "1. Subsection one of section thirty-three of the
3 Transport Act, chapter two hundred and seventy-one
4 of the Revised Statutes of Canada, 1952, as amended
5 by chapter 59 of the Statutes of 1955 is repealed
6 and the following substituted therefor:

7 "33 (1) Where an agreed charge has been in effect
8 for at least three months.

9 (a) any carrier, or association of carriers, by
10 water or rail,

11 (b) any motor vehicle operator, or association of
12 motor vehicle operators, or

13 (c) any association or other body representative of
14 the shippers of any locality

15 may complain to the Minister that the agreed charge
16 is unjustly discriminatory against a carrier or a
17 motor vehicle operator or a shipper or places his
18 business at an unfair disadvantage, and the Minister
19 may, if he is satisfied that in the public interest
20 the complaint should be investigated, refer the
21 complaint to the Board for investigation."

22 Would you, then, continue, please, Mr. Magee?

23 A. Potentially monopolistic elements of
24 agreed charges could be circumscribed by exercising some
25 control over agreed charge contracts. At present, most
26 of the agreed charges contain a clause requiring the
27 shipper to ship all, or almost all, of his traffic by
28 rail. The actual practice varies, but it has the
29 same effect of freezing a substantial part of the com-
30 petitive market -- often the entire market. It must
be clearly borne in mind that the "percentage of traffic"



1
2 requirement is not a volume discount related to any
3 economies of operation or traffic handling. It is not
4 related to any volume of traffic at all; in fact, the
5 volume may double or triple and the same percentage re-
6 quirement may continue. Clearly a serious potential
7 for recreating or creating a monopolistic situation
8 exists in such a case. Also, the possibilities of
9 experimental and gradual changes in the "transport mix"
10 -- the proportion of traffic handled by different trans-
11 port media -- are virtually excluded. This is not in
the public interest.

12 It is submitted, therefore, that this aspect
13 of agreed charge contracts should be controlled by law
14 so that it would be illegal for such contracts to contain
15 any clauses which would require more than 50 per cent
of the shipper's traffic to move by the railway.

16 MR. HUME: May I interrupt at this time to
17 make two observations, Mr. Chairman. As this
18 Commission will hear when we come to the section on
19 Highway Control, this same 50 per cent aspect has been
20 written into the draft act which we hope this Commission
21 will recommend for the regulation of the trucking industry
22 in Canada, and at this time I would like to read into
23 the record our suggested amendment of the Transport Act
to give effect to what has just been said:

24 "Suggested amendment of the Transport Act referred
25 to in section 6, paragraph 23 of the submission
26 of Canadian Trucking Associations -
27 Section thirty-two of the Transport Act, chapter
28 two hundred and seventy-one of the Revised Statutes
29
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2 "of Canada, 1952, as amended by chapter 59 of the
3 Statutes of Canada 1955 is amended by adding sub-
4 section 13 as follows:

5 (13) Notwithstanding anything herein contained no
6 carrier shall make an agreed charge which
7 requires by its terms a shipper to ship more
8 than fifty per cent of the goods of the
9 shipper."

10 All right, Mr. Magee, will you carry on, please.

11 THE WITNESS: This, of course, would not
12 prevent the shipper from moving more than 50 per cent
13 of his traffic by railway if he so desired, but he
14 would not be obliged to do so. Such a restriction
15 would enable the shipper to experiment fully with com-
16 petitive services, while at the same time shipping the
17 bulk of his traffic by the railways, if he desired to do
18 so.

19 From the railways' point of view, such a limi-
20 tation of their contracts would not likely prove onerous,
21 for there are good reasons to cause a shipper voluntarily
22 to allow one carrier to handle as much traffic as
23 possible, since it cuts administrative costs, assists in
24 establishing uniform traffic handling and generally
25 permits economies not available when many carriers are
26 used.

27 On the other hand, such a modification would
28 materially assist the preservation of potential competi-
29 tion, which in itself is a desirable national policy
30 objective.

31 It cannot be stressed too strongly that these



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2 proposals are not put forward with the intention of
3 "shackling" the railways with unwarranted restriction on
4 their competitive freedom. On the contrary, they aim
5 at preservation of competition and essential competitive
6 freedoms by preventing abuses which, in turn, might
7 require more stringent restrictions.

8 Mr. Chairman, you asked a little while ago
9 about the position of the Canadian Trucking Associations
10 at the hearings of the Royal Commission on Agreed Charges.
11 As Mr. Hume explained, we asked then for the repeal of
12 that part of the Transport Act which permitted agreed
13 charge rate making. I should make it clear that the
14 position of the association is still one of opposition
15 to the principle of agreed charge rate making, but that
16 the recommendations which we have just put forward
17 modify the principle in keeping with the views of the
18 association as to how agreed charges should be proceeded
19 with.

20 MR. HUME: Q. Turning now to competitive
21 rates, will you please, in the next portion of your
22 submission, give the Canadian Trucking Associations'
23 views as to the problem of railway competitive rates?

24 A. In order to avoid any misunderstanding
25 of the position of Canadian Trucking Associations we
26 must repeat the statement of our basic position on
27 competition in transport, which is:

28 "The best regulator, and the best protection for
29 the user of transport services, is competition; the
30 fostering of competition and not the protection of
31 vested interests should be the aim of a rational



1
2 "transport policy."

3 It would be illogical if, in our advocacy of
4 competition, we should deny competitive right to the
5 railways. Truck competition has helped to keep the
6 general level of railway rates lower than it would other-
7 wise have been and has provided an additional incentive
8 for the improvement of railway services. Similarly,
9 it may be expected that improvement in railway services,
10 and actual or even potential rate competition from the
11 railways, must have an effect on the increased efficiency
12 of trucking companies. Therefore, any action which
13 potentially or actually endangers the existence of com-
14 petition should be prevented and controlled.

15 It has been claimed by the railways that they
16 are not always able to compete on equal terms. It can
17 be deduced, therefore, that, according to the railways,
18 equalization of competitive conditions is in the public
19 interest. We propose in the next few paragraphs to
20 analyze existing inequalities in the competitive advan-
21 tages in order to draw practical conclusions on the
22 difficult problem of the regulation of certain types of
23 rates.

24 The standard examples given by the railways are

25 (a) the problem of the statutory grain rates;
26 and

27 (b) the problem of maintaining facilities which,
28 because of the loss of traffic, are no longer, and could
29 no longer, be made self-supporting.

30 In other words, the basis of the railways' complaint is
31 that they are forced into cross-subsidization policies.
32 This means that revenues from profitable traffic are
33 subsidizing the losses on unprofitable services. The



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2 implication of such a statement is that the railways,
3 because of their size, are able -- for a short, and even
4 a long, period of time -- to pursue such a policy,
5 although it is considered undesirable by railway manage-
6 ments. At the same time, however, it is admitted by the
7 railways that as the result of railway managerial decis-
8 ions, some losing services may be carried on, and the
9 prerogative of management to pursue such a course of
10 action is strongly defended.

11 It is not our intention here to examine the
12 specific complaints of the railways but rather to examine
13 the underlying fact which makes such a situation poss-
14 ible, namely the ability of the railways to carry on
15 cross-subsidization policies. This ability is obviously
16 not the result of over-all profitability of railway
17 operations. It is, however, the result of the size
18 of the railway enterprise: With multi-million dollar
19 cash flows the railways are able to carry sectional losses
20 over fairly long periods of time, and it is only natural
21 that railway management may occasionally wish to use
22 this ability to pursue long range aims of the railway
23 enterprise. It is not our suggestion that such a use
24 of size advantages is necessarily improper, nor that
25 railway managements should necessarily be restrained in
26 using their prerogatives.

27 It is our contention, however, that the rail-
28 ways' ability to cross-subsidize traffic contains an
29 element of danger, especially when the railways' com-
30 petitors do not possess such advantages. If it is
31 true that the railways are at a competitive disadvantage
32 because of cross-subsidization which is forced upon



1
2 them, it is also true that the possibility of voluntary
3 cross-subsidization of traffic provides the railways
4 with a competitive advantage not enjoyed by their
5 competitor. This advantage amounts to the ability to
6 destroy a competitor by drastic rate reductions, rate
7 reductions which may bring the railway rates below the
8 break even level, whereas the railways' competitors
9 could not possibly force the railway out of business by
10 carrying traffic at a loss.

11 In order to avoid confusion as to the meaning
12 of terms "unprofitable services" or "loss services", which
13 often became the subject of unprofitable controversy,
14 these terms are defined as follows: An unprofitable
15 or a loss service is a service which produces, in the
16 long run, less revenue than necessary to cover fully
17 allocated costs, the discontinuance of which, after all
18 adjustments were made, would improve the over-all net
19 revenue position of the carrier.
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2 In other words, it may sometimes be argued
3 that, although not all costs are covered, a particular
4 service is not a "loss service" because it produces some
5 contributions towards the overheads. This may be true
6 in the short run -- during the period of time when the
7 overheads could not be adjusted or cut with the elimin-
8 ation of the service. From the long run point of view,
9 such a service is still a loss service, unless it can
10 always be provided on "an added costs" basis -- that is,
11 as a free by-product of railway operation.

12 It must be stressed also that if the rates
13 charges are higher than the average revenues of the rail-
14 ways, or higher than the railways' average system costs,
15 these facts alone need not prove or indicate profitabil-
16 ity of a rate or of a service. A rate three times higher
17 than the average can produce a loss, and a low rate can
18 bring a profit. Only if specific revenues and costs
19 are compared can judgment be passed as to whether a rate
20 is, or is not, compensatory.

21 The possibility of the development of a monop-
22 olistic situation as the result of rate reductions below
23 the economic level is the reason for the existing minimum
24 rate control of the railways. The prevention of
25 a potential monopoly is, therefore, a legitimate object-
26 ive of the regulatory agency.

27 The possibility of the creation of a monopolistic
28 situation through rate reductions below the economic level
29 was recognized by parliament. Section 33⁴ of the Railway
30 Act includes these conditions which must be met in the
31 publication of railway competitive rates:

32 The rates must be compensatory

33 The rates must not be lower than necessary to



1
2 meet the competition.

3 It is clear that the prevention of a monopol-
4 istic situation was in the mind of parliament. The
5 practical problem is still the technique of its imple-
6 mentation. In the railway incentive rates case,
7 Canadian Trucking Associations complained to the Board of
8 Transport Commissioners that the railway "incentive
9 rates" introduced in western Canada appeared to be non-
10 compensatory and that they threatened to eliminate
11 trucking competition. The Board found that Canadian
12 Trucking Associations was not a "party interested"
13 before the Board, but decided to investigate the case
14 of its own motion. The decision of the Board has been
15 accepted as the state of the law as it exists. The
16 question is whether such a state of affairs is reason-
17 able.

18 If competitive rate reductions threaten to
19 re-establish a monopoly by eliminating competition, such
20 a process is rarely obvious to a shipper. Naturally
21 enough, any intention to re-establish a monopoly in any
22 area would not be advertised by the railways and the
23 shipper may be quite pleased with the rate reduction
24 offered. It is the railways' competitor who is faced
25 with assessing his long range prospects if such a rate
26 is allowed to continue and he is a logical person to
27 lodge a complaint.

28 It is not difficult to challenge the logic of
29 the contention that the railways or any similar undertaking
30 should be allowed to pursue any pricing policy of their
31 choosing. The practicability of effective safeguards



1
2 in regard to railway pricing is what is seriously ques-
3 tioned. The arguments against the trucking industry
4 being allowed to appeal to the Board of Transport Com-
5 missioners in regard to railway competitive rates
6 can be stated as follows:

7 (a) It may create dangerous situations if a
8 competitor arguing his case on "non-compensatory" grounds
9 is given access to confidential cost data;

10 (b) It may lead to grave abuse, if the compet-
11 ing industry started launching a series of appeals in
12 order to harass the railways;

13 (c) The problem of determining whether or not
14 a rate is compensatory is an extremely difficult one and
15 may involve elements of judgment on the effects of the
16 rate reduction on traffic volume and the impact of an
17 increase in traffic volume on operating costs.

18 It is submitted that the arguments (a), (b)
19 and (c), are not valid.

20 As to the first argument -- the release of
21 confidential cost data of the railways -- the Transport
22 Board may quite appropriately study the necessary data
23 through its own staff, without releasing them to the
24 parties concerned. All the interested party has to
25 establish is the existence of a prima facie case that
26 the rates are likely to be unreasonably low and may
27 result in the elimination of competition.

28 The argument relating to possible harassment
29 of the railways - and this, we feel, is very important
30 because this is perhaps one of the most plausible argu-
31 ments that can be raised against our request for the
32 amendment which is coming - by a series of frivolous



1
2 appeals cannot be considered as a serious argument in
3 respect to the national association of the trucking
4 industry. Even if it were true, such appeals are
5 screened by the Board first. The obviously frivolous
6 appeals would probably not be permitted to proceed to
7 a hearing. A frivolous appeal would thus amount to
8 harassment of the Board, not the railways. No sane
9 carrier and no sane industry association would risk its
10 reputation by such an action.

11 In regard to determination of costs, it must
12 be admitted that any costing scheme relating to a part
13 of railway operations is bound to be complicated. It
14 is quite possible, however, to develop a set of accept-
15 able criteria for determining whether or not a rate is
16 compensatory, and whether or not it may result in
17 elimination of competition. After all, there is nothing
18 easy in deciding what constitutes a business' net
19 income, and yet businesses do pay income tax.

20 It is submitted that the Railway Act should
21 be amended to provide for a trucking association's
22 right to appeal competitive rate reductions if it appears
23 that the rates are non-compensatory and if, as the
24 result of their reduction, actual or potential monopoly
25 may be created. In order to avoid the problem of
26 examination of confidential cost data, such information
27 may be made available exclusively to the Board itself.

28 THE CHAIRMAN: I think you would favour a
29 bill now before the House given by Mr. Brown.

30 MR. HUME: The amendment, Mr. Chairman, that
31 I am now about to propose I think goes to the same
32 ultimate goal, but it is not quite the same bill. I



1
2 can say to this Commission that Mr. Brown developed
3 his own bill; I mean, the Canadian Trucking Associations
4 had nothing to do with the submission of that. This
5 was developed by ourselves, and I believe Mr. Brown
6 is going to make the bill available to the Commission,
7 and you will be able to compare the two.

8 THE CHAIRMAN: Has Mr. Brown seen yours?

9 MR. HUME: No, I don't think so.

10 THE CHAIRMAN: I wonder if you could make it
11 available to him.

12 THE WITNESS: We can certainly do that, sir.

13 MR. HUME: It was just handed to us this
14 morning as a mimeograph.

15 Mr. Chairman, in the light of what was said by
16 Mr. Magee, I would like to read into the record the
17 suggested amendment to the Railway Act which was referred
18 to in paragraph 19 of section 7 of the brief.

19 "1. Section two of the Railway Act, chapter
20 two hundred and seventy-one of the Revised Statutes
21 of Canada, 1952 is amended by inserting immediately
22 after paragraph seventeen thereof, the following
23 paragraph

24 "17 (a) 'Motor vehicle operator' means any person
engaged in the transport of goods or passengers
by motor vehicle for hire or reward."

"2. Section three hundred and thirty-four of the
said Act is amended, by adding immediately after
subsection two, the following subsection:

"(3) If a motor vehicle operator considers that a
competitive rate has subjected him to an undue,



1
2 "or unreasonable prejudice or disadvantage, an
3 association of motor vehicle operators on his
4 behalf may apply to the Board for an order dis-
5 allowing the rate, and the application shall,
6 on the request of any party to the application,
7 be heard and determined in open court."

8 Mr. Chairman, at page 816 of the transcript
9 you, in your capacity as acting chairman, said the
10 following:

11 "I think it would be most helpful to the Commission
12 if the associations ' -
13 referring to the Canadian Trucking Associations -
14 "would make some definite announcement on the
15 principle of piggyback. Are they for it or
16 against it? Do they want it or do they not?
17 I think it would be helpful to us, but that can
18 wait for Ottawa."

19 THE CHAIRMAN: I suggest we start piggyback
20 at 2 o'clock.

21 ---Luncheon adjournment.
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2 ---On resuming at 2.00 o'clock.

3 THE CHAIRMAN: Order, please.

4 MR. HUME: Mr. Chairman, before Mr. Magee
5 commences to read his submission on the piggyback, and
6 because I should like to give Mr. Montague the due
7 to him for the work he did in assisting us on this
8 Commission, I would like to point out, for the purpose
9 of clearing the record, that at page 10505 of yesterday's
10 transcript there are three errors. One is that
11 Mr. Montague's middle initial is "H." and not "B."
12 The second is that the group with whom he is associated
13 is Applied Economics Research Associates and not as
14 shown; and thirdly, that the assistance he gave was to
15 "C. T. A." and not "C. P. A." which could be taken
16 as "Canadian Pacific Air Lines."

17 I think those corrections are fair and that
18 we should, perhaps, have those in the record.

19 Q. Now, Mr. Magee, we come to the next
20 section of your submission in answer to the Commission's
21 request for more information - and possibly you would have
22 advanced it anyway. Would you be good enough to give
23 the view of your associations on this important question
24 of piggyback?

25 A. Piggybacking is the name given to the
26 means of transporting goods in a large prepacked
27 container on a specially prepared railway flatcar. The
28 container most frequently used in "piggybacking" is a
29 truck trailer. It is not a new technique in the trans-
30 port industry and has been used with various degrees
31 of success for over 20 years in the United States and



1
2 in Europe. However, during the past five years there
3 has been an increased use of piggybacking in North America.
4 If present trends continue, it may become one of our
5 more common methods of transporting goods over long dis-
6 tances. As such it will have a profound effect upon the
7 structure of the transportation industry.

8 It is accepted practice to describe the varia-
9 tions of piggyback in use in the United States as follows:

10 Plan 1 - Railway transportation of trailers owned by
11 motor common carriers.

12 Under this plan the shipper has no direct contact
13 with the railways. The trucking firms solicit
14 and bill freight at truck rates and usually
15 pay the railway a flat charge per trailer.

16 Plan 2 - Railway Transportation of trailers owned by the
17 railway.

18 Under this plan the railway deals directly with
19 the shipper soliciting business under the rail-
20 way truck-competitive tariffs.

21 Plan 3 - Railway transportation of trailers owned by the
22 shipper.

23 Under this plan the shipper loads his own trailer
24 and delivers it to the railway. The railway
25 loads the trailer on a flatcar and grounds it
26 again at its destination where the shipper must
27 take it over again. Rates are based on the
28 commodity and quantity moved or may be on a
29 flat per trailer basis.

30 Plan 4.- Railway Transportation of shipper's trailers on
shipper's flatcars.



1
2 Under this plan the shipper takes his trailer to
3 and from the railway and is responsible for
4 loading it on the flatcar. The railway is
5 responsible for the origin-to-destination move-
6 ment only. Rates are based on a flat charge per
7 car, whether trailers are loaded or empty.

8 Plan 5 - Railway and highway transportation of trailers
9 owned by either transportation agency.

10 This is a plan based on railway and motor carrier
11 co-operation and involving the publishing of
12 joint rail and motor carrier rates. Either
13 carrier is permitted to take shipments origin-
14 ating in, or going to, the territory of the
15 other.

16 In the United States the bulk of the piggyback
17 traffic originally moved under plan 1. However, traffic
18 moving under other plans, particularly under plan 3,
19 has shown a steady increase recently. Of the 57 rail-
20 roads offering piggyback services in the United States
21 at the present time, 25 offer service under plan 1, 51
22 under plan 2, 37 under plan 3, 28 under plan 4 and 3
23 under plan 5. (Data quoted in the Commercial Car
24 Journal, December 1959.)

25 The United States is several years ahead of
26 Canada in the development of piggyback services. This
27 fact and the fact that the railways in Canada, particu-
28 larly the Canadian Pacific, play a relatively larger role
29 in highway transport, has meant that there is not at
30 present such a diverse offering of piggyback services in
31 Canada as exists in the United States. In Canada the



1
2 service was initiated by the use of plan 2, and at the
3 present time all the traffic in Canada travels under
4 plan 1 or 2. The actual use of plan 2 is larger than
5 would first appear because of the shipment of the
6 trailers of trucking companies which are subsidiaries of
7 the railways.

8 Q. Would you kindly explain to the Commission
9 how it works?

10 A. The Mechanics of Piggybacking:

11 On the North American continent, trailers or
12 other containers for piggybacking are delivered by truck
13 to a special loading area at the railway freight yard.
14 As between different railways, there may be considerable
15 variation in the types of piggybacking container handled.
16 Some are loaded by means of ramps, others by cranes or
17 mechanical lifts, including hydraulic hoists on truck
18 chassis. Containers lifted by crane often leave their
19 wheels behind. Railway flatcars built or adapted for
20 piggyback traffic vary in length from 40 to 88 feet and
21 have special suspension. Various devices are necess-
22 ary both on the container and the flatcar to ensure that
23 the load does not shift while the train is in motion.
24 The loaded flatcars are moved by the railway to the point
of destination where they are immediately shunted to
another special loading area and are grounded ready for
pickup by truck tractors.

25 In Canada, trailers are the container used in
26 piggybacking; the loading is done by means of ramps.

27 Q. Would you please discuss the various
28 factors which Canadian Trucking Associations consider as
29
30



1
2 being limitations of piggyback?

3 A. Types of Goods Handled:

4 Livestock, perishables, automobiles, frozen
5 foods, iron and steel, manufactured goods, fluids in bulk
6 and mail are all carried by piggyback in the United
7 States. In Canada there are a number of exceptions to
8 this list, notably livestock, automobiles and mail.
9 Ultimately, it can be expected that there will be no
10 greater limitation of the variety of goods which can be
11 carried profitably by piggyback than there would be for
12 carriage by truck and the list of commodities carried will
13 undoubtedly grow with time, until it is as extensive
14 as the list of commodities carried by truck.

14 Density of Traffic:

15 The principal competitor for a piggyback service
16 is the interurban truck service. To compete with truck
17 service, piggyback must meet or improve upon not only
18 the rates offered by trucking firms, but also the speed of
19 truck service. Therefore, time is a major factor in
20 determining whether a piggyback service will be able to
21 take traffic and hold it from competing interurban truck
22 service performed entirely by highway. Among other
23 things, this means that time of train assembly must be
24 utilized with maximum efficiency, and inspection,
25 switching and other time-consuming procedures kept to a
26 minimum. For these reasons, competitive piggyback ser-
27 vice is limited to service for points between which there
28 is a high volume of traffic. Intermediate stations and
29 branch line stations can be serviced only at the cost of
30 decreasing the competitiveness of the major service.



1
2 Density of traffic is also a factor in limiting
3 the extension of piggyback services in another way.

4 Piggyback requires an investment in specialized loading
5 facilities and it is doubtful if the railways will make
6 such an investment unless there is sufficient traffic to
7 warrant it.

8 At present it would seem that piggyback service
9 will be limited to main line stations which handle large
10 volumes of traffic. (The list of loading points published
11 in the Commercial Car Journal, December, 1959, appears
12 to contain predominantly high traffic points and sizeable
13 centres.) However, communities near the piggyback terminal
14 point will also receive some direct benefits from the
15 institution of services because piggyback traffic may be
16 moved from or to these communities by truck. The ability
17 of a piggyback terminal point to draw traffic to it will
18 increase with the length of through haul originating or
19 terminating at that point. For example, Chicago has been
20 able to draw piggyback traffic which is trucked from as
21 far away as Detroit because Chicago is the terminal of the
22 through haul to the west coast.

23 Length of Haul:

24 Distance is a factor in determining the role
25 of piggyback only to the extent of setting the lower limit
26 for the length of economic haul. There appears to be no
27 upper limit for piggyback. In practice, the only limits
28 are those imposed by the railway service itself, partic-
29 ularly the length of through hauls; whenever journeys are
30 broken by extensive switching the advantage of piggyback
31 diminishes. The greatest development of piggyback has



1
2 been in the high density traffic route where there
3 exists a fast through freight service. In Canada, this
4 has been primarily on the Toronto-Montreal run. It should
5 not be assumed, however, that piggyback can only be
6 competitive on runs similar in distance to Toronto-
7 Montreal for longer hauls are made in the United States
8 -- for example, between Chicago and Los Angeles. There
9 is a growing use of piggyback on long hauls in Canada.
10 Shippers in most major cities in Canada have some form
11 of piggyback freight movement available to them.

12 The Costs of Piggybacking:

13 It is not possible for Canadian Trucking
14 Associations to make a statement as to the railway costs
15 involved in piggybacking. However, the growth of the
16 service would seem to indicate that it has a strong
17 competitive position. The cost of piggybacking services
18 to the trucking industry is simply the rate charged by
19 the railroad. As these rates are, for the most part,
20 based on truck costs it is not unexpected that trucking
21 firms usually make use of piggyback when it is offered
22 to them. However, it would not be correct to assume
23 that because truckers make use of piggyback services
24 piggyback rates are lower than over-the-road trucking
25 costs. In many instances the rate offered by the railway
26 is not lower than the truckers' operating costs, but some
27 use is still made of piggyback because of the flexibility
28 and increased capacity it gives the trucking firm.

29 Q. Would you be good enough to discuss the
30 growth of piggyback in the United States and in Canada?



A. The following figures give an indication of the growth of piggyback traffic in the United States:

<u>Year</u>	<u>Cars Loaded in Piggyback</u>	<u>% Increase over Previous Year</u>
1955	168,000	
1956	208,000	24%
1957	249,000	20%
1958	277,000	10%
1959	415,000	50%

MR. HUME: Might the record show that the source of those figures is the Association of American Railroads, U. S. News and World Report, issued February 1, 1960.

THE WITNESS: The substantial increase in 1959 is significant, for even after allowing for the despressed conditions of 1958 it implies an increasing rate of growth for this traffic in excess of 25 per cent per annum. At the present time, piggyback loadings in the United States are less than two per cent of total car loadings. However, D. P. Loomis, the President of the Association of American Railroads, has estimated that "Half the nation's railroad freight may one day move in loaded highway trailers and containers on piggyback flatcars." If Mr. Loomis is correct, then the present rate of growth of piggyback traffic should be sustained for several years.

The Canadian statistics for piggyback are available only for 1958 and 1959 and are not sufficient to permit any conclusions to be drawn as to a possible



1
2 rate of growth for piggyback services in Canada. They
3 do show, however, a remarkable increase in these services
4 over the past year. In 1959, piggyback car loadings
5 were 133,929, an increase of 71 per cent over 1958
6 loadings of 77,109. It is interesting to note that
7 despite the relatively shorter experience of the Can-
8 adian transportation industry with piggyback services,
9 the D. B. S. figures indicate that piggyback carloadings
10 in Canada are about 2.5 per cent of total Canadian rail
11 carloadings (which includes cars loaded in the United
States).

12 THE CHAIRMAN: Would you know how the 133,000
13 was broken down - east and west?

14 MR. HUME: I am advised that it is in the
15 statistics and we will attempt on Monday to find those
16 figures, Mr. Chairman.

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18
19
20 (Page 10674 follows)
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THE WITNESS:

It may be that the DBS figure and the American figure we have quoted are not strictly comparative. However, it is perhaps pertinent that the Canadian percentage is not significantly less than the American figure, considering the greater length of time that the service has been available in the United States. It would seem to indicate that unless there is something special in the Canadian situation which would lead to a faster rate of growth, the rate of growth in Canada next year should be closer to that experienced in the United States.

Q. Mr. Magee, your organizations have made an evaluation of piggyback, and would you be good enough to place before this Commission this evaluation?

A. The value of piggyback to the railways is obvious. It has enabled them to regain a considerable amount of traffic which they had lost to competitors over the years. The position of the trucking industry is not so clear. Generally, piggyback has been used extensively by trucking firms when it has been made available to them. It permits the trucking firms to obtain better utilization of their equipment and, at the same time, it has added to the ton-mile life of equipment. It has also enabled trucking firms to handle peak movements without heavy investment in extra equipment.

There is, however, a threat to the trucking industry inherent in piggyback development, not so much from its use by existing common carriers, but from



1 shippers who handle the goods of others and are not
2 licensed by provincial truck regulatory boards as inter-
3 urban common carriers. There is a strong possibility
4 that to carry on this type of business, firms may
5 develop which would be completely free of any type of
6 regulatory control.
7

8 What is at stake here is the future stability
9 of the trucking industry. We have indicated in other
10 parts of our submissions the trends to rationalization
11 and increased capitalization within our industry and
12 the change in the stability of the industry which these
13 trends have brought about. Unfortunately, many of
14 the firms in the trucking industry which are leaders
15 in terms of efficiency and quality of service will be
16 the very firms to suffer most if unlicensed competition
17 arises from local cartage or freight forwarding firms
18 providing interurban freight service by means of plan
19 3 piggyback. The sudden and uncontrolled entry of
20 such firms into the industry would affect truckers and
21 shippers alike, for truckers might be forced to
22 load their charges for freight movements not competitive
23 with piggyback to enable them to compete on piggyback
24 runs. The question is not whether such developments
25 should be prevented, but rather whether they should be
26 controlled, just as entry into the trucking industry is
27 being controlled in most areas.

28 It must be recognized that piggyback is a
29 legitimate development in the technology of handling
30 goods. As is the case with any development in



1 technology, it will bring with it a need for adjustment
2 within the industry affected. The trucking industry does
3 not expect that all of the adjustments resulting from the
4 use of piggyback will necessarily be in its favour.

5 As long as steps are taken to ensure that the stability
6 of the trucking industry will not be disrupted during
7 whatever transitions are necessary, and as long as the
8 use of piggyback is made available to the trucking
9 industry, generally upon the same terms and principles
10 as exist at the present time in those areas where
11 piggyback services are now offered to independent common
12 carriers, the trucking industry can have nothing to
13 fear from this development in technology and will be
14 able to adapt itself to its use.

15
16 THE CHAIRMAN: Is there any discrimination
17 of the railroad in favour of their own transport?

18 THE WITNESS: We have none to put forward,
19 sir.

20 MR. HUME: Q. Mr. Magee, has the Canadian
21 Trucking Associations any recommendations with respect
22 to this subject, for this Commission?

23 A. The trucking industry considers that the
24 problem of control of piggyback services should be very
25 carefully studied. It is not unlikely that the results
26 of such a study would indicate a new approach to the
27 whole complex of regulatory problems. Regulation of
28 piggyback services would involve some degree of control
29 over both trucking and railway industries, and might
30 result in very far-reaching changes in the institutional



1
2 framework within which our present regulatory agencies
3 function.

4 The trucking industry is fully aware of
5 these implications, and because of the immense complexity
6 of the problems finds itself unable to present any de-
7 tailed proposals other than a statement of general prin-
8 ciples on which such control should be based.

9 1. The stability of the conditions under
10 which piggyback service is offered should
11 be safeguarded, in terms of scope of
12 properly authorized operations, rates,
13 and quality of service. This is essential
14 if the interests of highway carriers and
15 of the shipping public are to be fully
16 safeguarded.

17 ii. The interests of all carriers, both the
18 railways and public highway carriers,
19 should be safeguarded.

20 iii. Any regulations or measures of control
21 adopted should be evolved and administered
22 by an agency, or agencies, fully conversant
23 with the interests and problems of both
24 transportation industries. It follows
25 that the trucking industry should be fully
26 consulted and heard, and given full right
27 to participate in all the decisions, when the
28 overall regulatory policy is applied to
29 any one particular case.

30 Q. Mr. Magee, as to the next section of your



1
2 brief, traditionally Canadian Trucking Associations have
3 had views with respect to entry by the railway company
4 into highway transport, and you have a section on that.
5 Would you be good enough to give those views to the
6 Commission at this time?

7 A. In recent years, there has been a strong
8 upsurge in the railways' interest in acquiring trucking
9 firms. The purchase of control over Smith Transport
10 Limited -- Canada's largest trucking firm -- by the
11 Canadian Pacific Railway has been a dramatic manifesta-
12 tion of this new development. With cabinet approval,
13 the Canadian National Railways is now taking options on,
14 or purchasing a controlling interest in, long distance
15 trucking firms. It is becoming increasingly clear that
16 if the present trend towards acquisition of trucking
17 companies continues, the railways will be in control
18 of a large segment of their competitor, the trucking
19 industry.

20 THE CHAIRMAN: Mr. Hume, can we now identify
21 those railways which are railway-road transport? Smith
22 is one.

23 MR. HUME: Well, Smithson Holdings control a
24 series of transport companies, the names of which, I am
25 sorry, I don't know.

26 Q. Do we have that?

27 A. We can get a full list for you.

28 MR. HUME: And then, Smith Transport is
29 another.

30 THE CHAIRMAN: Well, we will be glad to have



1
2 a list of the names, and the same with the C.N.R.

3 MR. HUME: I don't think there is any infor-
4 mation available, Mr. Chairman, with respect to the
5 C.N.R.

6 THE CHAIRMAN: They are negotiating.

7 MR. HUME: I think Mr. Gordon recently was
8 unhappy about it being suggested he disclose the names
9 before the Parliamentary Committee. The list which we
10 will give you and the information I have -- may I suggest,
11 if your question in that regard were directed specifical-
12 ly to the counsel of the two railways, they could come
13 up with a list which would be more accurate than we
14 could supply.

15 THE CHAIRMAN: We will ask them too.

16 MR. HUME: Yes, fine.

17 Q. Would you carry on, please, Mr. Magee?

18 A. It is the opinion of Canadian Trucking
19 Associations that entry of the railways into the
20 trucking field is not in the public interest and that it
21 should be stopped.

22 To clarify the issue, a distinction must be
23 made between railway entry into highway transport by
24 acquisition of existing trucking companies and the
25 extension of railway transportation services by pro-
26 viding new highway services as a substitute for
27 abandoned railway routes or as a supplement to existing
28 services where no truck operations exist.

29 It cannot be denied that the operation of
30 railway services may require the organization of feeder



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2 services, either in the form of branch lines, or, where
3 branch lines are not profitable, by the establishment of
4 trucking services. These cases are normally quoted in
5 defence of railway entry into the trucking field; the
6 argument in favour of rail entry, based on such cases,
7 has considerable merit.

8 In practice, however, this theoretically
9 respectable argument has little, if any, application.
10 Numerous small truck operators exist throughout the
11 country who are primarily interested in the operation
12 of short-haul services and who are ready, willing and
13 able to provide feeder services for the railways where
14 such services are demanded. It cannot be seriously
15 maintained that any trucking firm would refuse to pro-
16 vide joint services (or feeder services) with or for
17 the railways, if such services were required. A truck
18 operator specializing in short-haul operations and
19 handling traffic which the shipper desired to consign
20 part of the way by railway would not refuse to take
21 this business and would provide the best possible
22 service. The argument in favour of rail entry into
23 highway transport in order to organize feeder services
24 might have been valid in the past, when situations may
25 have existed where no responsible highway operator
26 was able to provide such service; certainly it is
27 not valid today.

28 The provision of feeder services for the
29 railways by independent trucking companies should
30 normally be a more economical proposition, in view of



1 the moderate size of the operation, and, normally, the
2 lack of geographical links between one feeder service and
3 another. An argument that an independent trucking
4 company providing a feeder service for the railway would
5 eventually try to capture some of the railway long-haul
6 traffic is contradicted by the realities of truck opera-
7 tions. There are numerous trucking companies in this
8 country which, as a matter of policy, intend to
9 specialize in short-haul services. They have no
10 ambitions for rapid expansion in size or a spectacular
11 increase in their length of haul. These companies enjoy
12 certain very real benefits from specialization and
13 intimate relationship with the customers in their
14 localities; they have no prejudice against close co-
15 operation with the railways, should such cooperation
16 prove of mutual advantage, and neither have their
17 Associations.

18
19 That local or regional feeder services by
20 independent trucking companies are not unsatisfactory
21 for the railways is seen in the fact that the Canadian
22 Pacific, renewing its truck-line purchase programme
23 in 1957-58, acquired not small feeder services but
24 large and medium-sized intercity firms directly com-
25 petitive with the railways.

26 The issue as it exists today is not whether
27 the railways should be allowed to organize highway feeder
28 services where such services are required, but whether
29 the railways should be allowed to acquire large com-
30 peting services. In other words, the issue is not



1 whether "horizontal integration" of complementary trans-
2 portation services is beneficial, but the existing danger
3 of the establishment of an overall transportation
4 monopoly by the railways.

5 There is probably no parallel anywhere in
6 the world for the extensive integration of potentially
7 competitive transportation services by the railways of
8 Canada. The Canadian railways own the two largest
9 air lines in the country, the largest independent air
10 line being one-quarter the size of Canadian Pacific
11 Airlines and less than one-tenth of the size of
12 Trans-Canada Air Lines. According to 1958 statistics,
13 operating revenues of TCA were over \$120 million, CPA
14 over \$28 million, and Pacific Western Airlines, \$7
15 million. (Dominion Bureau of Statistics, Civil
16 Aviation, 1958 (Annual). This situation is contrary
17 to the spirit of the Aeronautics Act, a matter to which
18 we shall return later. The railways also operate
19 extensive marine services and, in some cases, have a
20 monopoly for the provision of ferry services. In
21 addition:

22 "In anticipation of the opening in 1959 of
23 the St. Lawrence Seaway, cargo operations were
24 inaugurated during the year between United
25 Kingdom and Great Lakes ports with two small
26 chartered vessels. Two additional chartered
27 vessels will enter this service in 1958."

28 (Canadian Pacific Railway Co. 1957
29 Annual Report, p. 14)

30 (Page 10686 follows)



1 As the railways have extensive dock and
2 harbour facilities essential for the handling of
3 St. Lawrence Seaway traffic, it is reasonable to expect
4 that both the CNR and CPR, or one of the main railways,
5 will make a serious bid for a sizeable share of this
6 transportation market.

7 The entry of the railway into highway trans-
8 port completes the picture: this country is faced with
9 the possibility of re-establishment of a monopolistic
10 situation in public carrier transport, after this mono-
11 polistic position has been successfully challenged by
12 the newer forms of transport, and after considerable
13 benefits from this competition have been felt throughout
14 the country.

15 In the past, it was argued that because the
16 trucking industry was assumed to be an agglomeration of
17 numerous small units, and because it was believed that
18 "ease of entry and exit" was one of the main characteris-
19 tics of the industry, it was impossible for any one firm
20 to achieve a large degree of monopolistic control. We
21 have shown in Section 3 of this submission that these
22 conditions no longer apply. Particularly do they not
23 apply in the case of long haul inter-city and inter-
24 provincial operations, where the economies of scale are
25 real and consequently the number of operators limited.
26 Under those conditions, effective control over the part
27 of industry mainly responsible for creating competitive
28 conditions for the railways is quite feasible; with the
29 growth in the scale of operations of trucking firms
30 engaged in medium and long distance traffic it is very



1 probable.

2 From the point of view of public interest,
3 an argument may be put forward that a combined rail-
4 truck operation may bring economies and, therefore,
5 result in a lower cost level of highway services. In
6 fact, does joint ownership bring any economies? This
7 question may be answered either on a strictly analytical
8 basis, or by inference from known facts; unfortunately,
9 no data exist to examine the practical experiences of
10 Canadian railways and their highway transport subsidiaries.

11 Let us examine the problem on the basis of
12 economic analysis. Broadly speaking, trucking operations
13 may be broken into the following "functional divisions",
14 or "phases of operations":

- 15 i. Administrative and management services
- 16 ii. Traffic solicitation, documentation and
17 related accounting functions
- 18 iii. Terminal operations
- 19 iv. Maintenance and engineering
- 20 v. Transport operations (i.e. running the
21 vehicles from one point to another).

22 The management of a trucking company is a
23 highly specialized job; the nature of the industry is
24 such that operations of a trucking firm are different
25 from the operations of firms in other industries.
26 Operations of a large trucking firm are normally spread
27 over very large areas, with a consequent decentralization
28 and autonomy throughout the organization. This can be
29 contrasted with the relatively centralized organization
30 of the railways (even regional divisions of the railways



1 are, by themselves, very large operations). In other
2 words, the complexities of railway operations require
3 concentration of many functions at the system, or at
4 least regional headquarters, level; the complexities
5 of trucking operations require maximum freedom and
6 initiative by the "people on the spot". The railway
7 organization shows signs of a strong tradition of a
8 well-defined hierarchy; the trucking company organization
9 is much more informal and based to a much larger degree
10 on personal leadership. This, of course, does not in-
11 dicate the superiority of one system over another. It
12 also does not imply that first-class leadership is
13 absent in one industry and concentrated in another. But
14 it does indicate that there is a real difference in
15 fundamental attitudes which produced the different types
16 of managerial structure in the two industries. These
17 very basic differences indicate a need for a different
18 managerial approach. Since it is difficult for the
19 same team to show, at the same time, two completely opposed
20 qualities, it indicates the need for separate management
21 teams. It is our understanding, subject to correction
22 by our railway friends, that trucking subsidiaries of
23 railway companies do, in fact, enjoy a wide degree of
24 autonomy. If so, it is difficult to see the advantages
25 of combining rail and truck management functions.

26 A theoretically possible economy of joint
27 rail-truck operations is the availability of mechanical
28 (or electronic) aids to management or accounting control
29 on a joint service basis. In view of the wide availability
30 of data-processing facilities on a rental basis or through



1 service bureaux, this factor is of minor importance, if
2 of any importance at all.

3 The possibility of greater economy through joint
4 financing has been occasionally mentioned. It is true
5 that some trucking enterprises have experienced problems
6 of obtaining sufficient capital. However, it is also
7 true that most of them have managed to solve these
8 problems quite satisfactorily, sometimes through cor-
9 porate links with larger trucking or non-trucking firms,
10 sometimes quite independently. With the growing
11 maturity of the capital market, and the greater maturity
12 of trucking firms, financing problems should be even
13 more capable of satisfactory solution in the future
14 than they have been in the past. There are no inherent
15 reasons why the trucking industry should be financed by
16 the railways, which, at the present time, have consider-
17 able re-equipment and modernization problems of their
18 own. It is suggested that the financial resources of the
19 railways could be better employed in such fields as
20 financing their own huge re-equipment plans and acquisi-
21 tion of better rolling stock than in buying up trucking
22 companies which can obtain the capital they need from
23 other sources.

24 The economies of traffic solicitation are even
25 more doubtful. To a large extent, the trucking business
26 sells its services on the basis of meeting specific
27 customers' requirements more economically than other
28 means of transportation. This requires on the part of
29 the traffic solicitor a good knowledge of the industry's
30 capabilities. It is unlikely that the same person would



1 have a good knowledge of the complexities of railway
2 services and tariffs and, at the same time, an equally
3 good knowledge of the complexities of truck services
4 and tariffs. The different regulatory frameworks
5 within which the two industries work produce further
6 complications. Thus the scope of any substantial
7 economies in joint traffic solicitation appears to be
8 limited; the only economies which are apparent stem
9 from an improved bargaining position if the combined
10 rail-truck enterprise enjoys a monopolistic position
11 vis-a-vis the shipper -- a situation hardly in the
12 public interest.

13 In regard to terminal operations, it may be
14 concluded that because of the different techniques and
15 characteristics in the operation of railway and highway
16 vehicles, the possibilities for substantial economies in
17 the provision of joint terminal facilities appear
18 extremely limited. Even when piggyback is involved,
19 there is no reason why the loading of trailers shipped
20 via piggyback should be done under the supervision of
21 the railway management responsible for the operations of
22 railway terminals. In short, no potential economies
23 of joint operation can be foreseen in this phase of truck
24 or rail services.

25 The same negative answer applies to vehicle
26 maintenance, engineering and highway operational phases.

27 Thus, on analytical grounds, there appear to
28 exist few, if any, economies through joint ownership of
29 truck and rail enterprises.

30 These theoretical conclusions seem to be borne



1 out in practice. In the United Kingdom, after nationali-
2 zation, both the railways and trucks were put under
3 control of the British Transport Commission, with the
4 expressed purpose of co-ordination of the two types of
5 services. Although we have had little opportunity of
6 making detailed studies of the situation in Britain
7 (such a study might profitably be undertaken), the final
8 result of the experiment appears to have been the
9 establishment of completely autonomous enterprises --
10 British Railways and British Road Services (Road
11 Transport Executive) -- with the British Transport
12 Commission acting more or less as a holding company.

13 The British experiment has gone farthest in
14 the direction of common management and common ownership
15 of highway and rail transportation. Even so, the British
16 and potential Canadian experience (if the railways are
17 allowed to obtain control over a large segment of highway
18 transport) are not quite parallel. The British Transport
19 Commission is not, and has never been conceived as a
20 "super railway company"; the interests of the railways
21 were never considered paramount over the interests of
22 road transport or any other transport agency controlled
23 by the Commission. (Independent 'for hire' trucking
24 companies were drastically restricted in length of haul
25 during the Labour regime, long-distance trucking being
26 the prerogative of British Road Services.) On the other
27 hand, if the Canadian railways obtain control over
28 trucking, the trucking part of the enterprises is bound
29 to be made secondary to the railway interests.

30 Q. Mr. Magee, what in the view of the Canadian



1 Trucking Associations are the lessons to be learned from
2 the British experience?

3 A. The lessons from other countrys' experi-
4 ments may be of benefit in evaluating Canadian transport
5 policies. The British experiment was designed specifi-
6 cally to achieve economies of joint control over all forms
7 of surface transportation. The experiment appears to
8 indicate that these economies do not exist, and that
9 competition is the best co-ordinator, even if it is
10 competition between two nationalized industries. (It
11 is understood than an element of competition exists
12 between British Railways and British Road Services.)

13 It is suggested, therefore, that no benefits
14 can accrue from joint ownership and control of trucks
15 and railways, and that uneconomic conditions may even
16 be inherent in putting trucking operations under control
17 of railway managements.

18 Even if some economies exist, it is our belief
19 that they are outbalanced by the dangers and very real
20 disadvantages of joint ownership.

21 The dangers of joint ownership of railways and
22 trucking enterprises will be discussed from two points
23 of view:

24 i. The adverse effects on the future growth
25 of the two industries;

26 ii. The danger of monopoly.

27 It is obviously in the public interest that
28 every industry should develop its advantages to the fullest
29 possible extent. In order to do so, every industry
30 must continuously invest in its facilities not only to



1 take care of the ordinary wear and tear but also to
2 introduce all the modern innovations and improvements.
3 A competitive situation, where two progressively minded
4 industries compete in the same market, produces a potent
5 stimulus to introduce every improvement that is possible.
6 Conversely, the lack of inter-industry competition
7 tends to produce a degree of self-satisfaction with
8 progress already achieved. In the interest of the
9 preservation of the "usefulness of past investments",
10 so called new innovations may be delayed.

11 Truck-rail competition undoubtedly forced
12 both industries into much greater attention to service
13 improvement and cost-saving possibilities. Let us assume
14 that truck-rail competition is diminished through the
15 common ownership of truck and rail activities. The
16 development of new truck services competing with the
17 railways would cease or its growth would be slowed, for
18 if such services prove successful they would have an
19 adverse effect on the existing investments of the
20 railways. Similarly, if the truck and rail lines are
21 owned by the same company and if truck competition
22 achieved a large degree of success, the existing rail
23 lines would tend to be starved of new capital, as the
24 traffic lost to trucks would still be carried by the
25 same company. Such a policy would be quite reasonable
26 from the point of view of a railway company controlling
27 both types of transportation activities; it would not,
28 however, be beneficial to the shipper.

29 The interests of the shipper are that there
30 should be the fullest development of both means of



transportation. The trucking industry should develop its services to the maximum of its economic advantages. If the degree of competition with the railways is increased, the greater are the potential benefits to the shipper. Similarly, the shipper is interested in as great a coverage by railway services as is justified by the economics of the situation. The introduction of new equipment and the modernization of railway facilities is of vital interest to him. Some of the railway services have lost much traffic permanently and may have to be withdrawn. Nevertheless, too great a contraction of railway services is not in the public interest. Common ownership of potentially competitive services is likely to favour too fast a withdrawal from the railway field. By removing some of the incentives to invest in order to keep the traffic, common ownership may accelerate the attempt to abandon railway services, even where such abandonment is not in the public interest.

The 1959 Annual Report of Canadian Pacific Railway contains information on the following capital appropriations:

Rolling stock	\$26,286,855
Shop machinery	1,039,080
Other railway facilities	26,062,486
Highway vehicles	200,982
Communications	3,316,530
Hotels	1,164,715
Aircraft (DC 8's)	25,000,000
Miscellaneous	92,320



1
2 That means that appropriations for aircraft for a CPR
3 subsidiary which produced a net loss of \$3.9 million
4 in 1959 are well over 40 per cent of the total capital
5 appropriations for the railways, which, in the same year,
6 produced net earnings of \$36.0 million.

7 In other words, the CPR is investing heavily in
8 non-railway enterprises, yet, at the same time, com-
9 plaining about the growing costs of the railway opera-
10 tions -- costs which would surely be reduced further
11 if non-rail transport investments were concentrated on
12 cost-reducing modernization of the railways. Similar-
13 ly, in the case of trucking company acquisitions, surely
14 the capital spent on buying up independent, and, as far
15 as we know, prosperous companies, could be used to
16 reduce the costs of, say, grain handling, a field
17 which appears to be responsible for profit reduction or
18 losses on our railways.

19 It is a simple fact of economics that every
20 dollar invested by the railways in buying up trucking
21 companies results in one dollar less for railway
22 investments. Through the purchase of these trucking
23 companies, independent investment sources which, in
24 the past, served the capital needs of the enterprise,
25 are eliminated, with the result that there may be a
26 smaller supply of capital for both transportation
27 industries. It is submitted that this development
28 must necessarily lead to a slowing of the rate of
29 growth both of the railways and of the trucking com-
30 panies owned by them.



1 The competitive effects of trucking company
2
3 acquisitions are self-evident. The purchase of a trucking
4 company competing with the railways must necessarily
5 mean a direct reduction in rail-truck competition.

6 Q. Can I stop you there, Mr. Magee? Does
7 Canadian Trucking Associations believe there is any
8 danger inherent in this situation?

9 A. Yes. We believe that the danger exists
10 that the competitive policy of a trucking subsidiary
11 of a railway company will be influenced by the overall
12 considerations of the parent organization, rather than
13 by independent business judgment. To be explicit, a
14 potential danger exists that a trucking subsidiary
15 would adopt an aggressive competitive policy against
16 other trucking companies, and, at the same time, with-
17 draw from direct competition with the parent company's
18 railway services. By acquiring trucking subsidiaries,
19 the railways will be in a position to engage in cut-
20 throat competition in order to weaken or eliminate
21 independent companies. In this way, the potential
22 monopolistic effects of railway entry into the trucking
23 field are more important than the direct effects. It
24 must not be forgotten that because of their size the
25 railways are much more capable of sustaining prolonged
26 losses by their subsidiaries, should this be consis-
27 tent with the railways' long-range plans.

28 In the previous paragraphs we have submitted
29 the reasons why, in our opinion, railway entry into high-
30 way transport, other than in cases for feeder services



1 over the highways, is against the public interest and
2 should be discouraged. The problem remains as to what
3 practical steps can be taken to prevent the expansion
4 of the railways' position in the highway transport field.
5

6 Regulation of the acquisition of competitive
7 companies, or regulation preventing the organization of
8 services which would result in elimination or in a
9 material decrease of competition, are not new in the
10 free economic system. On the contrary, it has been
11 recognized in practically all advanced free enterprise
12 countries that the state has a positive duty to protect
13 competition against monopolistic encroachments.

14 Any remedial action which is taken to protect
15 the existence of competition in transport must be based
16 upon the criterion of public interest.

17 A Canadian precedent for the kind of legis-
18 lative action which we are suggesting is found in the
19 Aeronautics Act, Chapter 2, the Revised Statutes of
20 Canada 1952, Section 15, Subsection 2.

21 "No licence shall be issued in respect of
22 a commercial air service, owned, leased, controlled
23 or operated by any person who is engaged in the
24 transport of goods or passengers for hire or
25 reward by means other than aircraft unless the
26 Governor in Council is of the opinion that it
27 is in the public interest that such licence
28 be issued."

29 We recommend that the regulatory body charged
30 by Parliament with the responsibility of controlling



1
2 extra-provincial trucking should be directed by statute,
3 in regard to applications for operating rights, that:

4 "no licence shall be issued in respect of a
5 commercial motor carrier service owned, leased,
6 controlled or operated by any person who is
7 engaged in the transport of goods for hire or
8 reward by means other than motor vehicle unless
9 the Board is of the opinion that it is in the
10 public interest that such licence should be
11 issued."

12 We recommend that in regard to acquisition of
13 trucking companies, the federal statute governing the
14 control and regulation of extra-provincial trucking
15 should provide that:

16 "no transfer of licence or change in share owner-
17 ship which may or will affect the control of in-
18 corporated licensees, or if the transfer or
19 change in share ownership results in control
20 of the licensee by any person engaged in the
21 transportation of goods for hire or reward
22 by means other than motor vehicle, shall be
23 approved unless the Board is of the opinion
24 that it is in the public interest that such
25 transfer or change should be approved."

26 You were asking, Mr. Chairman, this morning
27 about the position of Canadian Trucking Associations on
28 agreed charges at the Royal Commission on Agreed Charges
29 and at the Royal Commission eleven years ago. I thought
30 it might be of interest to point out to the Commission



1 that in respect to railway entry into the trucking field
2 our position eleven years ago was that the Railway Act
3 should be amended to prevent the railway -- stop the
4 railway -- from buying out trucking companies, and
5 we have tried to moderate our position here and make
6 some suggestions that we should deal with this develop-
7 ment on the grounds of public interest rather than
8 stopping outright.

9
10 The statutory provisions recommended in
11 paragraphs 40 and 41 are incorporated in the draft High-
12 way Transport Act proposed by Canadian Trucking Associa-
13 tions in Section 10 of this submission.

14 So far, in our discussion of the matter of
15 acquisition of trucking firms by the Canadian railroads,
16 we have made no distinction between the acquisitions
17 made by the CNR and those made by the CPR, although state
18 ownership of the CNR raises further matters for con-
19 sideration.

20 The separate issue which is raised by the
21 purchase of trucking firms by the CNR is whether it
22 will be the policy of the Government of Canada to vote
23 funds for the nationalization of large segments of the
24 private enterprise trucking industry in Canada.

25 In 1959, and again this year, the CNR has
26 requested large sums for the acquisition of private
27 trucking firms. The CNR has justified the request
28 for such funds on the grounds that the funds will enable
29 them to develop an integrated and more competitive
30 transportation service. Based on informed assumption



1
2 as to the identity of the seven or eight trucking firms
3 either purchased or under option by the CNR at the time
4 of filing of this submission, we venture to suggest
5 that not one of these companies will enable the railway
6 to make more efficient use of its railroad property.

7 On the contrary, they reflect the CNR's desire to
8 offer a particular trucking service which is now offered
9 by independent trucking firms. Canadian Trucking
10 Associations regards such acquisitions as a simple
11 example of nationalization of trucking firms.

12 The trucking industry believes that only if
13 private enterprise falls down on its job or cannot, or
14 will not, fulfill its function in a given field, is the
15 resort to public ownership justified. We are convinced
16 that most Canadians who have considered the issue of
17 private vs. public ownership hold that belief.

18 Has the trucking industry fallen down on its
19 job? Is it unable, or has it refused, to fulfill its
20 function in the field of freight transport? In effect,
21 the Government itself has dealt with these questions
22 and, by answering in the negative, has given the trucking
23 industry a clean bill of health in regard to the dis-
24 charge of the industry's private enterprise respon-
25 sibilities. The Government has gone further: it has
26 expressed strongly its lack of enthusiasm for socialism
27 as a substitute for free enterprise in transportation.
28 Speaking in the House of Commons on March 23, 1960,
29 Honourable George Hees, Minister of Transport, is reported
30 at pages 2377-2378 of Hansard as follows:



1 "I was in Glasgow, and was fortunate enough
2 to attend the Glasgow industrial exhibition.
3 Whilst there, those who were showing me round
4 the exhibition were very anxious that I should
5 see the railway exhibit, to see what improvements
6 the nationalized railways of England were under-
7 taking. As I was being shown these improvements
8 -- and these improvements were very worth while --
9 I was told by the railway official who was showing
10 them to me that they had been made necessary by
11 the denationalization of the motor transport
12 industry in England. This official told me
13 that if the motor transport industry in England
14 had not been denationalized, it would not have
15 been necessary for the railway industry to make
16 any improvements at all, because when the motor
17 transport industry in England was nationalized,
18 there was literally no competition, or certainly
19 no competition of a worrisome nature, for the
20 railways. However, as soon as the motor
21 transport industry became denationalized by the
22 Conservative government, then the motor transport
23 industry began to give the nationalized railway
24 industry very serious competition. These very
25 worth while changes which I was shown by this
26 railway official were, according to him, one
27 hundred per cent made necessary because of the
28 competition given the railways by a revitalized,
29 denationalized road transportation system then in
30



1
2 existence in the United Kingdom. I think, Mr.
3 Speaker ---

4 "Mr. Benidickson: Would the minister
5 permit a question?

6 "Mr. Hees: Perhaps I might just finish.

7 "Mr. Fisher: Would the minister permit a
8 question?

9 "Mr. Hees: Yes.

10 "Mr. Fisher: If we accept the logic of the
11 minister's story, and it is a good one, why does
12 he not accept it and give us 'deuces wild' com-
13 petition?

14 "Mr. Hees: The hon. member does not seem to
15 realize that the situation regarding competition
16 faced by the government owned railway in Canada
17 is exactly the same as the very real competition
18 being faced now, and only now, because of the
19 denationalized road transport industry in
20 England. That is one of the reasons the
21 railways in Canada are making improvements
22 daily, and they are doing a very fine job and I
23 am proud to be associated in the way I am with the
24 Canadian National Railways, because that railway
25 is taking very forward steps in keeping itself
26 up to date and is improving itself in every
27 way possible day by day. One of the reasons, as
28 I say, why that is going on is because of the
29 competition which that railway and the railways
30 of Canada are facing from the road transportation



1
2 industry of this country. It is competition
3 that is providing the Canadian people with
4 better and better services daily in the air,
5 on the water, on our highways and on our
6 railways."

7 It does not seem to be appreciated that what
8 is involved in approval of funds budgeted by the CNR
9 for acquisition of trucking firms is, in fact, the
10 voting of funds for the nationalization of part of the
11 trucking industry. Surely a policy of nationalization
12 of trucking would be as unacceptable to the Government
13 as it would be to the people of Canada generally. We
14 ask the Commission to recommend a stricter scrutiny
15 by the Government of the CNR's programme for acquiring
16 trucking firms and the refusal of funds to the CNR for
17 all such acquisitions, except where it can be establish-
18 ed that a private trucking firm, either acting alone or
19 in cooperation with the railway, could not provide the
20 service proposed by the railway.

21 MR. HUME: Mr. Chairman, just before we
22 break for the recess may I just point out to you, sir,
23 that my learned friend Mr. McDonald is now in the
24 court room -- he wasn't before -- and that you had
25 directed a question to me as to the names of the
26 companies acquired by or operated by Canadian National
27 Railways, and as I only would be guessing perhaps Mr.
28 McDonald might be aware of that question and understand
29 that the Commission has requested it.

30 THE CHAIRMAN: Yes; this reference is on



1
2 page 9.11, paragraph 45, where it says:

3 "Based on informed assumption as to the identity
4 of the seven or eight trucking firms either
5 purchased or under option by the C.N.R. . . ."

6 MR. McDONALD: A statement was made by the
7 President before the Railway Committee just recently
8 on that, and the names were not divulged because there
9 are still negotiations going on. I don't know myself;
10 but, at a later date, before this Commission is over,
11 those names will be made known.

12 THE CHAIRMAN: Because they are in negotiation
13 you can't give the names?

14 MR. McDONALD: Some of them might not be
15 carried through.

16 THE CHAIRMAN: But we will have them in due
17 course?

18 MR. HUME: You also wanted to know the names
19 of companies operated by the C.N.R. in the road transport
20 field, and I know of one because I have run against it
21 in regulatory boards -- Canadian National Transportation
22 Limited. Maybe Mr. McDonald has others that are being
23 operated by the railways ----

24 MR. McDONALD: That is the only one I can think
25 of.

26 MR. HUME: Canadian National Transportation?

27 Mr. McDONALD: Yes; and all our companies
28 are listed in our annual report.

29 THE CHAIRMAN: We will now recess.

30 ---Short recess.

(Page 10710 follows)



1
2 Q. Mr. Magee, we come to one of the very im-
3 portant sections of your brief dealing with the matter
4 of regulation. Your submission in section 10 will deal
5 with the principles of regulation, the criticisms of the
6 present federal legislation on the subject, and you
7 have to suggest to this Commission the revised statutes.
8 First of all, would you commence presenting this portion
9 of your submission by dealing with your views on the
10 principles of truck regulation?

11 A. Regulation of the public carrier trans-
12 portation industry has been almost unversally accepted.
13 The trucking industry is subject to regulation in most
14 provinces -- control of entry into the field, intraprov-
15 incially and extraprovincially, based on public need,
16 in Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba,
17 Saskatchewan, Alberta (extraprovincial trucking only)
18 and British Columbia; and rate regulation consisting of
19 filing of rates in Quebec and British Columbia and
20 fixing of rates in Manitoba and Saskatchewan. The
21 Motor Vehicle Transport Act, Statutes of Canada, 1953-54,
22 chapter 59, providing for federal control of extra-
23 provincial trucking by provincial regulatory boards,
24 authorizes any board controlling rates intraprovincially
25 to undertake extraprovincial rate control but such control
26 is not in effect. Nevertheless, regulation of the truck-
27 ing industry has increased in scope since the Turgeon
28 Royal Commission conducted its investigation of trans-
29 portation ten years ago, chiefly as the result of develop-
30 ments of the past few years in the maritime provinces.
New Brunswick and Nova Scotia have motor carrier acts



1
2 effecting control of entry and authorizing rate filing and
3 Prince Edward Island's motor carrier act came into force
4 on April 1, 1960. Almost without exception, the
5 question in Canada is no longer "to regulate or not to
6 regulate" but how to achieve maximum benefits to the
7 public through regulation.

8 It must be stressed that any regulation is
9 based on the public interest -- the consumers' long run
10 interest in the service of the regulated industry. Any
11 benefit accruing to the carriers is acceptable as a means
12 of assuring maximum benefits to the public. A regulatory
13 system which disregards this principle cannot be expected
14 to endure public criticism and is bound to be changed or
15 discarded.

16 The regulation of transportation does not imply
17 a lack of faith in the competitive enterprise system.
18 Neither in the United States nor Canada has regulation
19 destroyed the existence of competitive forces -- public
20 carrier transport agencies are vigorously competitive in
21 both countries.. Regulation can be justified only if
22 the competitive forces are absent, or if, in the absence
23 of regulation, the competitive forces threaten the
24 destruction of the competitive elements in the economy.
25 For example, extensive rate cutting, or extensive use of
26 "loyalty discounts", may result in the elimination of
27 financially weaker, though not necessarily less efficient,
28 carriers, and thus lead to the establishment of a
29 monopoly.

30 In the case of transportation industries, the
product -- transport service -- cannot be stored. In



1
2 order to meet peak demands of the customers, some excess
3 capacity must be maintained. This situation implies
4 additional costs to the carriers but assures the shipper
5 of the availability of service when needed. It is ob-
6 vious that an unrestricted growth of capacity, over and
7 above the needs of peak traffic, must result in cost
8 increases to the industry and that these must eventually
9 be passed on to the shipper. In some industries this
10 problem does not arise because of the very high costs of
11 entry of a new firm. In such cases, a prospective
12 entrant is forced to engage in very extensive studies of
13 the market and cost situation in order to justify his
14 plans to the investing public. Thus, control of
15 entry is imposed by the capital market. In the case
16 of an industry into which entry is not restricted by high
17 capital requirements -- requirements which can be
18 met only through the public investment market -- there
19 is not the same deterrent to entry. At the same time,
20 in order to assure continuity and acceptable standards of
21 service, relatively large investments -- and re-invest-
22 ments -- are necessary.

23 The very nature of the trucking industry poses
24 a dilemma: In order to provide continuity and acceptable
25 standards of service, the firm must invest heavily and
26 increase its assets. However, if no service requirements
27 are considered, entry into the industry does not require
28 extensive resources. In other words, to enter the
29 trucking industry one does not need too much capital but
30 to provide a satisfactory service relatively extensive
investments are necessary.



1
2 It follows from the above argument that in
3 order to protect the public by assuring the required
4 standards of service, the ability to meet peak demands,
5 and the preservation of continuous service, either control
6 of entry or control over capacity is required. In prac-
7 tice, a regulatory system based on capacity control --
8 for example, in the United Kingdom, where authority must
9 be obtained to add individual vehicles to a 'for-hire'
10 trucking fleet -- does not appear to be generally suit-
11 able to Canadian conditions. The Canadian conditions of
12 much longer hauls and lower traffic density, conditions
13 in which the maintenance of adequate service between
14 specified points or in a specified area is of more
15 significance than the availability of service "in the
16 country at large", may mean excess capacity on some
17 routes and lack of capacity in other areas.

18 The structure of a trucking firm has become
19 complicated to the extent that no simple means of
20 determining the necessary capacity exists. Therefore,
21 it can be stated that control of entry through the
22 licensing of specific services is generally more
23 appropriate than control of entry through capacity
24 control.

25 Regulatory policy for the trucking industry
26 must, therefore, be based on control of entry, through
27 the licensing of services, and control over rates. The
28 aims of the policy must be the protection of the public
29 interest by preventing the exploitation of the shipper
30 -- necessitating maximum rate control and control over
discriminatory rate practices -- and the preservation of



1
2 strong natural competitive forces by avoiding such results
3 of excess capacity as destructive rate wars.

4 The aim of public policy is the protection of
5 the public and not the carriers. Yet the public can only
6 be served by the carriers. The sounder the carriers'
7 economic condition, the greater their efficiency and the
8 lower will be their costs -- costs which the public must
9 bear. The promotion of the industry's efficiency is
10 a logical corollary of protection of the public.

11 Certain general principles of regulation follow
12 from the arguments above and are also dictated by general
13 principles of sound administrative policy. They are:

14 i. The regulatory procedures must not be
15 oppressive or costly.

16 ii. The regulatory policies must be uniform
17 and preserve some long-run continuity. This requirement
18 is necessary if the regulated firms, as well as their
19 customers, are to be able to make any long-range plans.

20 iii. The regulatory authority, or authorities,
21 must frame their policies with a full understanding of the
22 industry's structure. If the industry's efficiency is
23 a matter of public interest, the authorities should be
24 fully aware of the factors which make for increased or
25 decreased efficiency of the industry, and take these
26 factors into account in framing their policies.

27 This requirement implies a high calibre of the member-
28 ship of the regulatory boards and their staff. This can
29 be assured only if the legislation under which they
30 function is satisfactory.

iv. The regulatory policies must be consistent,



1
2 must be understood both by the industry and by the
3 public, and must take into account broader issues of
4 transport policy, even development policy. Any
5 parochialism, either in a geographical sense, or in an
6 industry sense, must be avoided. The policies adopted
7 must be arrived at with the full understanding of the
8 parties concerned.

9 It must be remembered that no regulatory legis-
10 lation can be fully satisfactory in practice unless it is
11 implemented with the full understanding of the industry
12 concerned. In the final analysis it is the application
13 of the legislation that counts. An unsatisfactory
14 legislative framework results in high costs to the indus-
15 try, lack of continuity and consistency of policy, and
16 makes it difficult to recruit and preserve the necessary
17 high calibre of personnel. At present, the provincial
18 regulatory boards are satisfactory in this respect, but
19 it is only fair to their competent and dedicated member-
20 ship not to make their work unnecessarily burdensome by
21 forcing their operations, so far as extraprovincial traffic
22 is concerned, into an impossible regulatory framework.
23 Yet, in our view, that is the type of regulatory frame-
24 work within which the provincial boards, in their role of
25 federal controlling agencies, must attempt to work today.

26 Q. Mr. Magee, may I interrupt you to say
27 this to the Commission, that because it was recognized
28 that most of the members of the Commission had not had,
29 perhaps, the opportunity or need in the past to be
30 acquainted with the historical developments leading up
to this most important subject, that Canadian Trucking



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2 Associations have devoted now the section coming with
3 respect to that historical background, and, Mr. Magee,
4 would you mind giving that background?

5 A. Developments Leading to Federal Control
6 of Trucking by Provincial Boards:

7 Without attempting to review all of the develop-
8 ments which occurred before federal control of trucking
9 began upon passage of the Motor Vehicle Transport Act
10 in 1954, it is of interest, from an historical standpoint,
11 to recall that the first discussion of control of truck-
12 ing by a federally-constituted royal commission on
13 transportation occurred in the report of 1932 of the Duff
14 Commission. At page 105 of that report we find the
15 following:

16 "The related problems of regulation and restriction
17 of motor traffic on the highways could best be
18 dealt with by a conference of the highway depart-
19 mental officials of all the provinces meeting in
20 conference at the instance of the federal govern-
21 ment. At this conference the broad lines upon
22 which, for example, the regulation of common
23 carriers of goods and merchandise could be
24 effected might be laid down as follows: -

25 (a) Schedules of rates and charges must be
26 published.

27 (b) Within that schedule common carriers must
28 accept and carry what is offered without dis-
29 crimination between shippers.

30 (c) Operators must be insured against all risks,
including third party risks.



- 1
- 2 "(d) Operators must keep accounts on a prescribed
- 3 system and render returns to public authorities
- 4 on a common basis.
- 5 (e) Uniform bills of lading must be used and a copy
- 6 given to all shippers.
- 7 (f) Minimum standards in regard to working conditions,
- 8 including wages and hours of labour should be
- 9 required.
- 10 (g) Due regard must be had to the preservation of
- 11 roads and to the safety of the public."
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2 In accord with the use of the word "restriction"
3 in the opening sentence of this quotation, the heading
4 of this particular part of the Commission's report --
5 Chapter X, Appendix II -- was worded ominously
6 "Restriction of Motor Truck Competition". Speaking
7 further about the proposed conference, the Commission,
8 again on page 105 of its report, stated frankly what
9 it had in mind:

10 "At this conference a body might be set
11 up to study and report upon areas where rail
12 services are being rendered unprofitable
13 without being superfluous by reason of the com-
14 petition of road transport, to the end that
15 steps may be taken to restrict, or even
16 prohibit, highway carriers in these areas.
17 A study should also be made of the possibili-
18 ties of assistance to the railways in main-
19 taining their present freight rates structure
20 by a zoning scheme for the licensing of all
21 trucks as a practical step towards co-ordination
22 of rail and motor traffic, or such other plans
23 or schemes as may seem to promise relief to
24 the railways."

25 Nowhere in its report did the Commission speak
26 specifically about control of extra-provincial truck-
27 ing. The reason that it failed to do so may be
28 attributable to its expressed belief at page 56 of its
29 report that "Under the constitution of Canada regula-
30 tion of road transportation falls within the exclusive



1 jurisdiction of provincial authorities."

2
3 The federal government did not share this view
4 of the jurisdictional question. In 1937, and again
5 in 1940, bills were introduced in parliament providing
6 for federal control of international and interprovincial
7 trucking. These bills met with strong opposition from
8 the provincial governments and the trucking industry
9 and were withdrawn.

10 The possibility of federal control was the
11 immediate reason for the founding of Canadian Trucking
12 Associations in 1937. The necessity of a national
13 trucking organization which could give the industry a
14 united voice had long been recognized by the provincial
15 trucking associations. At a meeting in Winnipeg in
16 January, 1937, the delegates of the provincial trucking
17 associations brought the Association into existence.
18 The magazine Bus and Truck Transport reported at the
19 time that the first official business of the national
20 Association was to "petition the Right Honourable W. L.
21 Mackenzie King, Prime Minister, and Right Honourable
22 C. D. Howe, Minister of Transport, to allow trucking
23 interests an opportunity of discussing federal control
24 before it became law."

25 The years which followed the abortive move to
26 institute federal control of international and inter-
27 provincial trucking brought no change in the trucking
28 industry's view that such regulation would be undesirable.

29 The provincial trucking associations, on whose
30 behalf Canadian Trucking Associations speaks nationally,



1
2 were united in the following expression of the industry's
3 viewpoint made by Association counsel F. R. Hume, Q.C.
4 to the Turgeon Royal Commission on Transportation on
5 May 2, 1950 (Volume 118, page 21,290):

6 "The trucking industry can only conclude
7 that the persistent cry for regulation raised
8 by railway witnesses must mean regulation by
9 a federal authority, because the industry is
10 regulated in each province to the extent that
11 the governments of those provinces desire to
12 regulate the industry."

13 "Forced then to the conclusion that the cry
14 for 'regulation' must mean regulation by the
15 federal government, the industry is also forced
16 to the conclusion that the railways must expect
17 that that regulation will be of a restrictive
18 nature. Otherwise, there would be no point in
19 this cry for federal regulation. It is not
20 difficult to appreciate why the trucking industry
21 is opposed to federal regulation by a government
22 in the railway business."

23 The question was reviewed by the Turgeon
24 Commission at pages 278-279 of its report of 1951, under
25 the heading of "National Transportation Policy":

26 "The only practical subsisting question
27 in respect to the regulation of motor transport by
28 federal legislation has to do with interprovincial
29 and international traffic. If it is to be
30 assumed that the authority of Parliament extends



1 to the control of these forms of transportation
2 the question to be considered is whether it is in
3 the public interest that such control should be
4 established. In the present state of the law
5 this control could be established by adding in
6 the first place to the words 'all carriers engaged
7 in the transport by railways and ships,' in
8 Section 3(2) of the Transport Act, the words
9 'and by motor vehicles in interprovincial or
10 international traffic' or words of similar import.
11 The effect of such an amendment would be to
12 place these vehicles in the same position as
13 railways and ships. It would thereupon become
14 the duty of the Board of Transport Commissioners
15 to coordinate and harmonize their operations
16 with those of these other carriers. These
17 carriers would then lose some of the freedom
18 of action which they have today, but, on the
19 other hand, they would acquire a status which
20 they do not now enjoy. The railways would
21 still have them as competitors, but they would
22 be regulated competitors. Whether or not this
23 new arrangement would work out to the advantage
24 of the railways, as seems to be generally assumed,
25 would remain to be seen in the light of exper-
26 ience."

27 The Commission's conclusion, given at page 279
28 of its report, was as follows:

29 "All forms of trucking have increased
30 considerably since 1937. The time has come when



1
2 Parliament might well reconsider this question
3 of control. There seems to be no valid reason
4 why those who carry on a business over which
5 Parliament has jurisdiction (assuming this
6 to be the case) in competition with others
7 who are regulated in respect to their rates and
8 operations should not be asked to submit to
9 a similar form of control. This, of course,
10 does not mean that any one form of transportation
11 should be regulated only for the benefit of the
12 other."

13 The Commission could not go beyond an
14 assumption about federal jurisdiction over trucking
15 for no decision in the matter had been given by the
16 Supreme Court of Canada. But while the Commission was
17 sitting, a legal dispute was taking shape in the Pro-
18 vince of New Brunswick which was to produce a far-
19 reaching decision by the Supreme Court of Canada re-
20 garding the federal government's jurisdiction over
21 highway transport. The decision, which came many months
22 after the Royal Commission report had been tabled in
23 Parliament, was that international and interprovincial
24 highway transport was within the exclusive jurisdiction
25 of the Parliament of Canada and specifically that the
26 New Brunswick Motor Carrier Board did not have the
27 jurisdiction to prevent an American bus line, operating
28 internationally and interprovincially through New
29 Brunswick, from picking up and discharging passengers
30 in the province.



1 On June 17, 1949, Mackenzie Coach Lines,
2 an American carrier with head office at Lewiston, Maine,
3 had applied to the New Brunswick Motor Carrier Board
4 for a licence to operate buses from Boston through New
5 Brunswick to Halifax and Glace Bay, Nova Scotia, and
6 return. The licence was granted for the international-
7 interprovincial traffic as far as the use of New
8 Brunswick highways was concerned. The Motor Carrier
9 Board ruled, however, that after August 1, 1949,
10 Mackenzie Coach Lines could not pick up or discharge
11 passengers within New Brunswick.
12

13 Mackenzie Coach Lines refused to recognize
14 this restriction and took the position that the attempt
15 to impose it was beyond the power of the Motor Carrier
16 Board. It challenged the validity of the Motor Carrier
17 Act and contended that it was beyond the power of the
18 legislature of New Brunswick.

19 After August 1, 1949, Mackenzie Coach Lines
20 continued to pick up and discharge passengers within
21 New Brunswick and indicated that it would not cease
22 to do so.

23 Action was brought against Mackenzie Coach
24 Lines by S.M.T. (Eastern) Limited, a large maritime bus
25 and truck operator. In the action, S.M.T. (Eastern)
26 Limited sought an injunction restraining Mackenzie Coach
27 Lines from picking up and discharging passengers
28 within the province of New Brunswick; a declaration
29 that Mackenzie Coach Lines had no legal right to pick
30 up or discharge passengers within New Brunswick; an



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2 accounting of fares received by the Coach Lines for
3 carriage of passengers within New Brunswick; damages and
4 other relief which to the court might seem just, and
5 costs of the action.

6 The decision of the New Brunswick Court of
7 Appeal on May 1, 1950, upheld provincial jurisdiction
8 over Mackenzie Coach Lines and prohibited the bus
9 company's operation unless it complied with provisions
10 and regulations of the New Brunswick Motor Carrier and
11 Motor Vehicle Acts.

12 The Appeal Court decision stated that the
13 two Acts "regulate motor vehicle transportation in so
14 far as such vehicles use provincial highways and are
15 a valid exercise of power under the British North
16 America Act. Their incidental effect on traffic
17 passing through the province to outside points does
18 not affect their application to vehicles engaged in
19 such through traffic in the absence of Dominion legis-
20 lation on the matter."

21 An appeal to the Supreme Court of Canada was
22 heard in February, 1951. Those who, throughout the years,
23 had argued the pros and cons of federal control of
24 highway transport, were present to press their case.
25 The Attorney General of Canada, and counsel for the
26 Canadian National and Canadian Pacific railways,
27 were granted permission to intervene in support of
28 Mackenzie Coach Lines. Seven provinces -- New
29 Brunswick, Ontario, Alberta, British Columbia, Quebec,
30 Nova Scotia and Prince Edward Island -- and two
interprovincial trucking companies, Maccam Transport



1
2 Limited, representing Canadian Trucking Associations,
3 and Carwill Transport, were permitted to intervene
4 in support of S.M.T. (Eastern) Limited. The full
5 court sat in hearing the appeal. All nine Judges
6 delivered reasons for judgment when the court's decision
7 was rendered on October 22, 1951, and all members of
8 the court held that jurisdiction over the international-
9 interprovincial bus line was federal.

10 In the House of Commons, on October 23, 1951,
11 the Minister of Transport was asked if, in view of the
12 Supreme Court's decision, he was going to introduce
13 legislation to control interprovincial and international
14 highway transport federally. Mr. Chevrier's reply was
15 that "at the last session of Parliament, with respect
16 to the report of the Royal Commission on Transportation,
17 I indicated that that part of the report dealing with
18 the coordination of transportation services would be
19 considered at a later date by the government, and if
20 measures were approved action would be taken. But
21 that part of the report has not yet been considered."

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25 (Page 10730 follows)
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2 The decision of the Supreme Court was appealed
3 to the Privy Council and the appeal was heard in November,
4 1953. On February 22, 1954, the Privy Council gave its
5 decision. Answering the question: Was the order of the
6 New Brunswick Motor Carrier Board simply traffic regul-
7 ation, or was it an interference with an undertaking
8 connecting province and province; "their Lordships cannot
9 doubt but that it was the latter," the Privy Council
10 stated. "In their Lordships' opinion the action of the
11 province was in incursion into the field reserved by the
12 British North America Act to the Dominion."

13 The Privy Council defined what the provinces
14 can, and cannot, do in regard to control and regulation
15 of interprovincial and international (extraprovincial)
16 highway transport. The Privy Council confirmed that the
17 provinces had full jurisdiction over the roads, but
18 pointed out that in respect to the bus operation it
19 was not making a decision about the roads but about the
20 undertaking:

21 "The province has indeed authority over its own
22 roads but that authority is a limited one and
23 does not entitle it to interfere with connecting
24 undertakings. It must be remembered that it is
25 the undertaking not the roads which come within the
26 jurisdiction of the Dominion, but legislation which
27 denies the use of provincial roads to such an
28 undertaking or sterilizes the undertaking itself is
29 an interference with the prerogative of the
30 Dominion."



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2 The Privy Council did not deny the right of
3 the province to make provisions or regulations with regard
4 to its roads. But the provinces "must not prevent or
5 restrict interprovincial traffic." The provinces can
6 make traffic regulations, but the provisions
7 contained in local statutes and regulations must be
8 confined to such matters.

9 The undertaking was one connecting the province
10 with another and extending beyond the limits of the prov-
11 ince "and therefore comes within the provisions of
12 section 92 (10) (a) and is solely within the jurisdiction
13 of the Dominion."

14 The Privy Council addressed itself to another
15 part of the question before it: How much of the oper-
16 ations of an interprovincial or international carrier
17 were within the jurisdiction of parliament? Here the
18 Privy Council looked at the distinction which had been
19 drawn by the Supreme Court of Canada in considering the
20 same case. The Supreme Court had drawn the distinction
21 between what was the essential, and what was an inciden-
22 tal, portion of the bus operation which ran from Boston
23 through New Brunswick to Glace Bay, Nova Scotia. The
24 Supreme Court's finding was that that portion of the
25 extraprovincial operation which could be shed without
26 putting an end to the operation did not constitute an
27 essential part of the undertaking. According to the
28 Supreme Court the non-essential part would be of
29 provincial jurisdiction, the essential part, federal.

30 It was on this important point that the Privy
Council reached a different decision. There was no



1
2 doubt, said the Privy Council, that the taking up and
3 setting down of passengers journeying wholly within the
4 province (New Brunswick) could be severed from the rest
5 of the international and interprovincial bus line running
6 from Boston through the State of Maine and through New
7 Brunswick to Glace Bay in Nova Scotia. But that had to
8 do with the questions of whether you could emasculate
9 the undertaking and yet leave it the same undertaking or
10 so divide it that part could be regarded as interprovin-
11 cial and the other part provincial. But, said the
12 Privy Council, these were not the questions. The questions
13 facing the Supreme Court were: Is there an undertaking
14 and does it form a connection with other countries or
15 other provinces?

16 "The undertaking in question is in fact one and
17 indivisible," decided the Privy Council. "It is true
18 that it might have been carried on differently and might
19 have been limited to activities within or without the
20 province, but it is not, and their Lordships do not agree
21 that the fact that it might be carried on otherwise than
22 it is makes it or any part of it any the less an inter-
23 connecting undertaking."

24 Thus there was confirmed parliament's juris-
25 diction, and parliament's right to control, Canada's
26 entire international-interprovincial trucking industry.
27 Great as the impact of the decision was in 1954, the
28 impact is even greater today when the Dominion Bureau of
29 Statistics Motor Transport Traffic Statistics reveal, for
30 the first time, the true size and scope of 'for-hire'
extraprovincial trucking in this country. Approximately



1
2 one-third of the industry's output, measured in ton miles,
3 and one-fifth of the industry's revenues, comes from
4 interprovincial and international freight carriers.

5 There was surprise generally when the Minister
6 of Transport, on February 23, 1954, one day after the
7 Privy Council decision, announced in the House of
8 Commons that "...I propose to call a conference of
9 provincial ministers having jurisdiction over highways
10 ...I am hopeful that a common understanding may be reached
11 to the end that the provinces will be able to regulate and
12 control all motor transport using provincial highways."
13 From this conference, in March, 1954, came the Motor
14 Vehicle Transport Act, providing for federal control
15 of extraprovincial 'for-hire' truck operators by provin-
16 cial boards.

17 Q. Now, Mr. Magee, with that background of
18 the historical development leading up to the Motor Vehicle
19 Transport Act, Canadian Trucking Associations has made it
20 known that it has serious criticisms of the act. Would
21 you please discuss those criticisms at this time?

22 A. The jurisdictional and practical state
23 of extraprovincial truck control, as it exists today, may
24 be reviewed as follows:

25 1. Jurisdiction over international and inter-
26 provincial highway transport is federal. No provincial
27 regulatory body, unless it be acting in the capacity of
28 a federal regulatory body, drawing its authority from
29 federal legislation, is entitled to prevent, restrict,
30 interfere with, deny or sterilize any interprovincial
or international highway transport firm.



1
2 ii. Federal control of international and
3 interprovincial trucking is today in operation, under
4 federal legislation.

5 iii. The federal control system is made up
6 of regulatory bodies which happen to comprise as members
7 the same personnel who comprise provincial regulatory
8 boards (except for Quebec and Newfoundland.)

9 iv. There is direction (if direction it can
10 be called) to these federal regulators as to how they will
11 discharge their responsibilities. This direction is
12 given in federal legislation. The provincial boards --
13 all but Quebec and Newfoundland -- are directed to license
14 extraprovincial operators in the same way as they
15 license local (or intraprovincial) operators. If they
16 happen to have rate control in their province they may,
17 in their discretion, control the rates of extraprovincial
18 operators.

19 The Motor Vehicle Transport Act, 2-3 Elizabeth
20 II, received Royal Assent on June 26, 1954. The Act
21 is reproduced as an appendix of this submission. It
22 follows the decision of the Supreme Court of Canada in
23 the Prince Edward Island potato marketing case (1952)
24 2 S. C. R. 392 in constituting existing provincial gov-
25 ernment regulatory boards as federal regulatory boards.
26 The decision in the Prince Edward Island potato marketing
27 case was that an action of the Parliament of Canada in
28 constituting a provincial marketing board as a federal
29 board for certain purposes within parliament's juris-
30 diction was intra vires.



1
2 The Motor Vehicle Transport Act, after setting
3 out certain interpretations, provides that "where in
4 any province a licence is by the law of the province
5 required for the operation of a local undertaking, no
6 person shall operate an extraprovincial undertaking in
7 that province unless he holds a licence issued under
8 the authority of this Act." (Section 3, subsection 1.)

9 There follows the provision that "the provin-
10 cial transport board in each province may, in its dis-
11 cretion, issue a licence to a person to operate an
12 extraprovincial undertaking into or through the province
13 upon the like terms and conditions and in the like manner
14 as if the extraprovincial undertaking operated in the
15 province were a local undertaking." (Section 3, sub-
16 section 2.)

17 So much for licensing and control of entry
18 into the trucking field. The Motor Vehicle Transport
19 Act also provides for extraprovincial rate regulation,
20 by a provincial board, but only if regulation exists
21 intraprovincially and then only if the provincial board
22 decides to regulate rates extraprovincially. (Section 4.)

23 Parliament capped this free-and-easy treatment
24 of the regulatory situation by leaving it to the
25 provinces to decide whether they would participate in a
26 legal system of extraprovincial control or whether they
27 would decline to participate and thus substantially
28 undermine the effectiveness of the regulatory system.
29 This is the meaning of section 7 -- "This Act shall
30 come into force in a province only upon the issue of
a proclamation of the Governor in Council declaring it



1
2 to be in force in that province." This does not imply
3 an intention by the Governor in Council to take any
4 initiative in establishing federal control of extra-
5 provincial trucking by the provincial boards. What, in
6 practice, was done, after passage of the Motor Vehicle
7 Transport Act in 1954, was to wait to hear from each
8 province concerned; if a province wanted to participate
9 in legal control of extraprovincial highway transport
10 -- which required proclamation of the Act -- the Act was
11 proclaimed. If the province preferred to control extra-
12 provincial trucking through other measures -- and, in
13 the process, to control illegally -- that too was
permitted by the Governor in Council.

14 Quebec and Newfoundland are the two provinces
15 for whose regulatory board the Act has not been pro-
16 claimed. Newfoundland does not pose a problem as yet.
17 It is one of the ironies of the problem of truck control
18 that the province of Quebec, whose regulatory body, the
19 Quebec Transportation Board, has set a high standard of
20 performance as a regulatory agency, has declined to
21 request the proclamation, and thus appears to have laid
22 open to decisive challenge in the courts the Board's
extraprovincial regulatory procedures.

23 As to the workings of the Act, it has meant
24 that from a regulatory standpoint Parliament has not
25 recognized a Canadian trucking industry. Extraprovin-
26 cially, it has recognized ten individual trucking indus-
27 tries. The effect of its legislation, the Motor
28 Vehicle Transport Act, is the same effect as though the
29 British North America Act had been amended to give each
30



1
2 province exclusive jurisdiction over all highway transport
3 undertakings operating within its borders -- extraprovin-
4 cial as well as intraprovincial.

5 The Motor Vehicle Transport Act has, in truth,
6 created a federal regulatory mechanism capable of giving
7 off simultaneously a variety of different -- even
8 diametrically opposed -- decisions in regard to the grant-
9 ing or extension of operating rights for extraprovincial
10 carriers. There is no provision in the Motor Vehicle
11 Transport Act requiring, or even authorizing, joint
12 hearings by the boards concerned in the matter of an
13 extraprovincial application. Two of the boards have
14 voluntarily held joint hearings on extraprovincial appli-
15 cations and are to be commended for their initiative in
16 reducing two separate sets of hearings to only one. The
17 cost in executive time and travel incurred by trucking
18 company officers and other witnesses, and the legal fees
19 incurred, all of which result from multiple hearings
20 held individually across the country by boards concerned
21 in extraprovincial applications, has been a very heavy
22 burden and is effectively barring the participation of
23 smaller operators, or would-be operators, in the extra-
24 provincial field. While two boards may jointly hear the
25 evidence in respect to an application, there is no com-
26 pulsion, and thus no guarantee, that a joint hearing will
27 be held and boards in some of the more important motor
28 transport provinces do not hold them.

29 Even if boards jointly hear the evidence, they
30 cannot, with legal effect, deal jointly with an extra-
provincial application once the evidence is in. They



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2 are instructed by the Act to "....issue a licence ...
3 upon the like terms and conditions and in the like manner
4 as if the extraprovincial undertaking ... were a local
5 undertaking". What they do with the evidence is based
6 on what their own provincial legislation and regulations
7 (by reference from the federal act) tell them to do.
8 Thus, even a joint hearing is not a guarantee against
9 quite different decisions being arrived at as to what should
10 be done about an extraprovincial application.

11 The potentially ridiculous situations which
12 arise were demonstrated recently by hearings in western
13 Canada by boards in adjoining provinces dealing with an
14 important extraprovincial application. Here was an
15 extraprovincial application with two regulatory boards in
16 action, dealing separately with the same application and
17 unable to give effect to any decision they arrived at
18 except under authority of the federal statute. In other
19 words, they were sitting as federal regulatory agencies
20 with exactly the same authority as if one regulatory
21 agency -- the Board of Transport Commissioners, or a
22 separate Motor Carrier Board, or whatever agency might
23 have been constituted -- existed in Ottawa with powers
24 to deal with powers to deal with such matters. One
25 western board concluded its hearings and retired to
26 consider its decision. The second western board then
27 proceeded to hold hearings on the same extraprovincial
28 application. While it was doing so, the first board
29 issued its decision -- approving the application. The
30 ultimate fiasco was avoided by the second board also
giving its approval to the application. Had the second



1
2 board rejected the application, the Motor Vehicle Trans-
3 port Act would have fallen apart as an effective instru-
4 ment of control not much sooner than informed persons in
5 the transportation industry have expected.

6 As pointed out in paragraph 1, there is no
7 rate regulation of extraprovincial carriers in force under
8 the Motor Vehicle Transport Act. Again, we have the
9 ironic situation that the only extraprovincial rate
10 regulation that exists in Canada is that of the Quebec
11 Transportation Board which regulates both interprovincial
12 and international rates but, without proclamation of
13 the Motor Vehicle Transport Act, appears to be doing so
14 in a field in which it has no jurisdiction.

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17 (Page 10743 follows)
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1 Even if rate regulation existed under the Act,
2 it would be undermined by the capacity for head-on
3 collision in the rulings of successive federal truck
4 regulatory boards (the provincial boards acting as
5 federal controlling agencies). It is this same capacity
6 for head-on collision of rulings that we find ingrained
7 in the provisions of the Act dealing with applications
8 for operating rights. If rate regulation was exercised,
9 it could only be by the three boards proclaimed as
10 federal regulatory agencies and which already have
11 intra-provincial rate control; British Columbia,
12 Saskatchewan and Manitoba. If their control over extra-
13 provincial rates was exercised, the three Boards
14 controlling, say, the rates of an extra-provincial
15 carrier operating from Winnipeg to Vancouver, would each
16 have equal authority to go their own way in approving,
17 disapproving or varying the rates in question. And
18 again, what they do must be done -- by reference from
19 the federal statute -- "in the like manner and subject
20 to the like terms and conditions as if the extra-
21 provincial transport in that province were local trans-
22 port."

23 Apart from the capacity for differing decisions --
24 each carrying the full authority of the Motor Vehicle
25 Transport Act -- a further complication arises in the
26 fact that the extra-provincial rate, being subject to
27 the conditions and procedures of intra-provincial rate
28 control, would run aground on the two different systems
29 of rate control -- filed tariffs in British Columbia
30 and fixed rates in Saskatchewan and Manitoba.



1 Each provincial board has the power to control
2 the same extra-provincial rate, and the Motor Vehicle
3 Transport Act is silent as to the definition of the
4 powers of each board over the rate. If an extra-
5 provincial federal regulatory board is to have the
6 power to control an extra-provincial rate, it must be
7 an absolute power, otherwise the board would not be
8 able to carry out its extra-provincial rate regulatory
9 function. If this is so, how is it practical for two --
10 or even more -- provincial regulatory boards, acting as
11 federal controlling agencies, to exercise the absolute
12 power of rate control now conferred in the Motor Vehicle
13 Transport Act, when there is no definition of these
14 powers as between one board and another -- and when, in
15 effect, the federal Act empowers one board to approve the
16 rate and another board to disallow it?

17 If the provincial boards in their capacity
18 as federal controlling agencies were to attempt to
19 resolve their difficulty in regard to rate control by
20 arranging a saw-off point in their powers to control,
21 this saw-off point would merely be an agreement by one
22 group of individuals -- the regulators in one province --
23 with another group of individuals -- the regulators in the
24 adjoining province. The arrangement would be meaningless
25 under the Motor Vehicle Transport Act. Nowhere in the
26 federal Act is there a provision which attempts to sort
27 out the respective rate powers of the multitude of
28 provincial regulatory boards acting as federal controlling
29 agencies.

30 There is no provision in the Motor Vehicle
Transport Act for control of the transfer of a license
or change in share ownership. The omission of this



1 provision cannot be reconciled with the presence of
2 comparable provisions in other federal transport
3 legislation -- the Railway Act, Aeronautics Act and Pipe
4 Lines Act. By failing to establish a similar provision
5 in regard to extra-provincial trucking, Parliament
6 ignored the question of whether it is in the public
7 interest that the trucking industry's railway competitors
8 should be able to purchase, or obtain controlling
9 interest in, inter-city truck lines; and whether, if
10 the railways are to be able to do this, the extent of
11 entry into the trucking field is to be left to the will
12 of railway management. In Section 9 of our submission
13 we have already stated our strong conviction that
14 unrestricted expansion within the trucking field by the
15 railways should no longer be excluded as a consideration
16 of Canada's transportation policy.

17 From our knowledge of the industry it can be
18 stated unequivocally that there is not, at the present
19 time, a single extra-provincial truck operator in Canada
20 who considers that the Motor Vehicle Transport Act is
21 either an adequate or workable statute. Experience has
22 proved that it is not. Its failure stems from fundamental
23 weaknesses which may be summarized as follows:

- 24 i. The collision of the powers of federal
25 control and regulation inherent in the
26 ability, under the Act, of ten provincial
27 boards, acting as federal controlling
28 agencies, to give ten different decisions
29 on one application for extra-provincial
30 operating rights in ten provinces (to use



1 the most all-embracing example).

2 ii. The collision of powers, under the same
3 circumstances as i. above, in regard to
4 regulation of rates and the Act's silence
5 in regard to the definition of the
6 responsibilities of each board in respect
7 to a given extra-provincial rate.

8 iii. The conferment merely of discretionary
9 powers to institute extra-provincial rate
10 regulation, and the failure to establish
11 such regulation nationally by applying
12 it to the whole extra-provincial trucking
13 industry.

14 iv. The silence of the Act in regard to the
15 transfer of a licence or change in share
16 ownership.

17 v. The discretionary power of a province to
18 accept or reject federal regulatory powers
19 for its provincial truck regulatory
20 board.

21 In respect of v., it would be natural to
22 question the sagacity of an assumption that the Par-
23 liament of Canada would, in the face of disapproval of
24 a provincial government, appoint a provincial board a
25 federal controlling agency and compel the board, by
26 statute, to discharge, jointly with the other provincial
27 boards, the responsibilities of extra-provincial truck
28 control. No such assumption is made in this submission
29 nor should the logic of the questioning of that assump-
30 tion be allowed to undermine the belief that a sound,



workable system of federal control of extra-provincial trucking, using the provincial boards as the federal agencies of control, is feasible in Canada.

The provincial boards have had long experience in truck control. Geographically, as federal boards, they provide national contact with the industry on a regional basis. If federal control of extra-provincial trucking by provincial boards is to work, there must be spelled out in the statute the principles and practices of control and regulation which are considered desirable as part of the national transportation policy. It is quite true that new legislation to create an effective system of federal control by provincial boards could not -- and would not -- be imposed on the provinces by the federal government, sight unseen. Consultation would be necessary and this would undoubtedly be recognized by the calling of a federal conference on extra-provincial highway transport at which the presence of the provincial regulatory Chairmen, administrators and their officials would rank in importance and value with the presence of the responsible provincial Ministers.

I should say there, Mr. Chairman, that is not meant to be disrespectful to the provincial ministers, but the absence of the technical people at the conference held in 1954 is, in our opinion, one of the factors which led to these troubles.

If, in regard to extra-provincial highway transport, the federal government continues to take the attitude that although the jurisdiction is federal the provincial regulatory boards should continue as the



1 agencies of control, there is no reason why the provinces
2 should consider it logical that they should be left in
3 the situation of being able, individually, to render
4 impotent the regulatory system by declining the
5 participation of the board which they have constituted
6 for intra-provincial truck control. There is an
7 alternative to federal control by provincial boards;
8 the control by a board in Ottawa, to which this Associa-
9 tion is opposed. The provincial governments, being aware
10 of the alternative, can be expected to approach the
11 question in a reasonable frame of mind, if the Government
12 provides a firm but tactful lead.

13 THE CHAIRMAN: I think we will adjourn there
14 until 10.00 o'clock Monday morning.

15 ---Adjournment.
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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HOLDING

OTTAWA

VOLUME No.:

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I N D E X

Page No.

CANADIAN TRUCKING ASSOCIATIONS, INC.

Mr. John A.D. Magee

Direct examination (cont'd)
By Mr. Hume

10764

Mr. John A.D. Magee
Mr. George H. Montague

Cross-examination
By Mr. Cooper

10815

MOTION RE JURISDICTION OF COMMISSION
(In regard to material presented by
Canadian Trucking Associations)
By Mr. Sinclair

10750

REPLY TO MOTION

By Mr. Hume

10845

NO EXHIBITS IN THIS VOLUME



ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 2nd day
of May, 1960.

COMMISSION

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Mr. F. W. Anderson	Secretary
Major W. Lafrance	Assistant Secretary



Ottawa, Ontario,
Monday,
May 2, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr. Hume?

MR. SINCLAIR: Before Mr. Hume recalls his witness, Mr. Chairman, I have asked commission counsel if, during the presentation of this submission by the Canadian Trucking Associations, any objection was taken to some of the material that has been submitted or is in contemplation, because the documents are here, as to the ability of this Commission under the terms of its order in council which delineates its jurisdiction, being Order in Council P.C. 1959-577, and he tells me that there has not been an objection taken. So therefore at this time I rise to object to the Commission that in proposing to introduce evidence and documentation, including a new highway transport act, the Canadian Trucking Associations are asking this Commission to exceed its jurisdiction, which is severely limited by this order in council. This order in council does not vest in this Commission, in my submission, respectfully, jurisdiction to inquire into transportation in Canada; it restricts it to an inquiry into railway transportation in Canada and matters relating thereto. Now, obviously --

THE CHAIRMAN: Well, don't the trucks relate to the railways?

MR. SINCLAIR: In my submission, no, sir, they don't relate to railway transportation. If the railways had proposed that to deal with the railway



1
2 problem it was necessary to restrict common carrier
3 trucking to a limit of 300 miles, which the railways,
4 if they had - this is hypothetical, of course - if they
5 said that was the economic range on the trucking, purely
6 and correctly, then, of course, the Commission would want
7 to hear what the truckers said about any limitation that
8 the railways were proposing to put on the trucking indus-
9 try to deal with railway transportation. But the rail-
10 ways have made no such submission, and, until they do,
11 I submit that the truckers, quite rightfully so, can
12 introduce matters and give evidence and their views why
13 such things as, for instance, piggybacking, in relation
14 to such matters as, for instance, the effect of agreed
15 charge legislation, which they have done. But they
16 cannot submit to this Commission, ask this Commission to
17 deal with highway transportation and to propose that the
18 problems of the trucking industry be solved and covered
19 by recommendations of this Commission, which, of course,
20 they are asking you to do in this submission. Indeed,
21 although they are here as Canadian Trucking Associations,
22 their proposed legislation covers the bus legislation,
23 and surely their name shows that they are not speaking
24 on behalf of the bus operators, and the bus operators,
25 naturally, expect not to be here, and in my respectful
26 submission their jurisdiction does not extend to air
27 transportation in Canada or to pipeline transportation
28 in Canada; it does not affect all aspects of transport-
29 ation. It doesn't extend to, for instance, highway
30 transport intraprovincially, and surely the Commission,
when their rights and obligations and jurisdiction were



1
2 delineated by the Queen's Privy Council, were not saying
3 that everything dealing with railways or could possibly
4 affect railways were to be subject to review by this
5 Commission and recommendations made. For instance,
6 the Commission quite rightly ruled that they were not
7 concerned with collective bargaining in connection with
8 the railways, they were not concerned with relations
9 between the railways and their employees, nor were they
10 concerned with the liquor traffic. It affects in some
11 way, you could argue, possibly, railway operations in
12 the sense that liquor is sold on trains, and this is a
13 matter of provincial law, and it is my submission that
14 much of the submission of the Canadian Truckers Associa-
15 tion is a matter of provincial law, and the matter that
16 the recommendations that this Commission may make to the
17 Queen's Privy Council of Canada could not be implemented
18 by the Governor in Council. These are matters of
19 provincial jurisdiction and matters that this Commission's
20 recommendations might be looked upon as not in keeping
21 with the duty that has been imposed upon them and,
22 indeed, the purpose of the Governor in Council in intro-
23 ducing this Order in Council to which I refer.

24 It is for these reasons, Mr. Chairman, that I
25 say that the section of the brief dealing with the
26 proposed changes to the Motor Vehicle Transport Act, new
27 legislation, and matters of that kind, are outside the
28 jurisdiction of this Commission, and that the evidence
29 should not be received.

30 THE CHAIRMAN: Any other counsel wish to
add to that?



1
2 MR. McDONALD: Mr. Chairman, I discussed
3 this matter with my friend, Mr. Sinclair, and I endorse
4 what he says. I do not see how this Commission can
5 become involved in the drafting of a new highway transport
6 act, legislation which is designed to promote and
7 protect the monopoly of for-hire carriers in inter-
8 provincial service. I would agree with what Mr. Sinclair
9 said, and I do not wish to expand on it any further.

10 MR. SINCLAIR: There is one point I should
11 have made, and with your permission I will, and that is
12 that the jurisdiction of this Commission is much more
13 restricted in this regard than was the Royal Commission
14 appointed by P. C. 6033, that is the first Turgeon Royal
15 Commission, much more restricted, and I would suggest,
16 having that order in council before him, no doubt the
17 governor in council, in setting up this Commission, and
18 having knowledge of that order in council, decided to
19 restrict this Commission's jurisdiction in the way it
20 did.

21 THE CHAIRMAN: Mr. Sinclair, I haven't a copy
22 of the order before me. We, of course, reserve our
23 final ruling on the matter, but I can say that the
24 submission somewhat surprises me, as I felt we had pretty
25 wide scope in our inquiry in the matter of transportation
26 and that we would require generally to deal with trans-
27 portation policy as a Canadian matter. However, we
28 will reserve --

29 MR. HUME: I would like to be heard from in
30 this matter, Mr. Chairman.

THE CHAIRMAN: Yes. I was only going to say,



1
2 Mr. Hume, that you had given notice some two or three
3 weeks ago that you proposed to bring this draft act in,
4 and at that time some counsel were very anxious to get
5 a copy of it then.

6 MR. HUME: I must say that if you are surprised
7 at Mr. Sinclair's submission, it is no less than mine.
8 This motion --

9 MR. SINCLAIR: It is not a motion.

10 MR. HUME: Until two minutes to ten I had no
11 idea this was going to be raised at all. I believe the
12 order in council is wide enough, and I would ask you,
13 sir, to reserve your judgment of this matter and, if
14 necessary, appoint a time when I might reply to the
15 arguments of my learned friends.

16 THE CHAIRMAN: You will be given every oppor-
17 tunity.

18 MR. HUME: In the meantime, I presume that
19 we may carry on from where we left off on Friday.

20 MR. SINCLAIR: Subject to my objection and
21 also, Mr. Chairman, in view of the fact that we have
22 as part of our duty to this Commission to assist them
23 as much as we can in their cross-examination, I assume
24 that the ruling on the objection I have made will be
25 made before cross-examination. If my friend is
26 startled, I may say that I was startled that someone
27 else had not - that this Commission, indeed, had not
28 taken action in regard to this evidence. So that is
29 why I delayed, and I don't think it is my duty to take
30 the initiative in this matter.

COMMISSIONER MANN: I would like a little



1
2 more background, Mr. Sinclair, on the objection made by
3 the railways. Supposing it should be the view of the
4 Commission at some time or other a problem is created
5 for the railways as a result of the existence of unregul-
6 ated or partly regulated interprovincial highway transport,
7 and supposing that the Commission might reach the view
8 that this has a severe effect on the financial status of
9 the Canadian railways and something should be done to
10 regulate the trucks, would you not think that this would
be within the purview of the Commission?

11 MR. SINCLAIR: No, sir, I would not.
12 I would think that the answer to that question is that
13 trucking, the big portion of trucking, trucking basic-
14 ally, is a provincial matter and is regulated by provin-
cial jurisdiction.

15 COMMISSIONER MANN: What about an interprov-
16 incial segment of it?

17 MR. SINCLAIR: By virtue of what the dominion
18 government has done, in effect it transfers regulation
19 to the dominion boards, so therefore the dominion boards
20 are regulating trucking as possibly an agency of federal
21 jurisdiction. But to answer your question, I would
22 say no, because under the Railway Act provisions are
23 there made to meet competition by rate action, and also
24 the obligations of the railways to give service are also
25 there, and certain submissions have been made and
26 notice has been given regarding these obligations on the
27 railways to give service. These are matters federally.
28 To some people it was unfortunate; to others like myself,
29 possibly, it is fortunate; we have a clearly defined
30 division between federal transportation and provincial
transportation in this country, and in regard to this



1
2 matter of trucking, it is a matter of provincial juris-
3 diction, and I would think that this Commission would be
4 transgressing the powers of the body which appointed it
5 to interfere in provincial jurisdiction by regulation
6 which would be a direct interference.

7 THE CHAIRMAN: Well, Mr. Sinclair, all we have
8 to do is look at the order in council for our authority.

9 MR. SINCLAIR: Yes, it is clearly delineated,
10 and I would also suggest that it is one thing to make
11 broad generalizations, but it is another thing to deal
12 specifically with the problems relating to the trucking or
13 highway trucking industry.

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16 (Page 10759 follows)
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1 MR. HUME: I hope my silence is not construed
2 in any other way than in the context I put it. There
3 is a great temptation to answer my learned friend, but
4 after twenty-odd years in this profession I have learned
5 to resist that temptation, and I don't wish to reply at
6 the present time but I will reply later.

7 Mr. Chairman, at the conclusion of the session
8 on Friday last there were one or two little tag ends which
9 I would like to mention before I call upon Mr. Magee to
10 deal with the matters in question.

11 You, sir, asked at page 10670 whether the
12 Canadian Trucking Associations would know how the 133,959
13 piggyback carloadings were broken down east and west, and
14 I am advised that there are no figures for 1958, but the
15 1959 figures which we gave and to which you had reference,
16 are broken down in this way: 113,252 in the eastern
17 division and 20,677 loadings in the western division;
18 that a portion of the eastern loadings goes to the west,
19 but there is no DBS breakdown as to what proportion, and,
20 similarly, a portion of the western division loadings
21 come into the east, but again, I am sorry, there are
22 no breakdowns on that figure. That is the first point,
23 Mr. Chairman.

24 The second point is to point out to my learned
25 friend Mr. Sinclair something of which he may already
26 be aware, but at page 10678 you asked the Canadian
27 Trucking Associations to supply the Commission with a
28 list of all truck companies controlled or owned by the
29 Canadian Pacific Railway, and in answer to your request
30 we have communicated with all of the provincial



1 organizations to try and obtain this information across
2 Canada and it will be a while before we get it, but I
3 am sure that Mr. Sinclair will have that information
4 probably even more accurately than our provincial
5 associations would be able to supply it.

6
7 At page 10521 of the transcript the brief of
8 the Canadian Trucking Associations contained a compara-
9 tive figure taken from Mr. Wagdin's study.

10 MR. SINCLAIR: Pardon me; was there a direction
11 from the Commission that they wished to have the names
12 of the companies?

13 MR. HUME: Direction to me, and I am suggesting
14 that you are a better source of the information.

15 MR. SINCLAIR: What difference do the names
16 make, Mr. Chairman?

17 MR. HUME: The Commission would like a list of
18 all companies owned by the Canadian Pacific Railway en-
19 gaged in the trucking business, and asked me whether
20 we could supply it. We are trying to get that infor-
21 mation, and I am just drawing it to your attention.

22 MR. SINCLAIR: But you would like me to give
23 you the list?

24 MR. HUME: No, I will do it the best I can,
25 but you are the best source of the information.

26 MR. SINCLAIR: I wasn't here, but I am quite
27 sure Mr. Hume will get the information and if it is wrong
28 when he puts it in we will assist him by helping him.
29 I will be glad to take a look at my friend's list before
30 he files it.



1
2 THE CHAIRMAN: Or after he files it.

3 MR. SINCLAIR: Either way, whichever way he
4 wants it.

5 MR. HUME: The ton-mile figures as between
6 railways and trucks for 1957 were correctly shown in the
7 statement and are on that page from Mr. Wagdin's Study,
8 but my learned friend Mr. McDonald pointed out to me that
9 the DBS, since we prepared this statement, recalculated
10 these figures, but unfortunately the information and the
11 bulletin which I have from DBS doesn't break it down into
12 for-hire figures, and I merely want to indicate that there
13 has been a substantial increase and that those 1958 figures
14 given by DBS as of March 14, 1960, are as follows; ton
15 miles for 1958 for railways, 68, 914,260,000 ton miles.

16 MR. COOPER: I wonder if Mr. Hume would identify
17 the table by reference to the submission.

18 MR. HUME: Section 3, page 3, of the submis-
19 sion. It is the table included in paragraph 9 and it
20 is correctly shown as from Mr. Wagdin's Study, but there
21 are more recent figures and the 1958 figures as released
22 on March 14th by DBS show for railways, 68,914,260,000
23 ton miles; for the for-hire trucks, 9,327,136,000 ton
24 miles, and the calculated percentage for 1958 would be
25 13.5 per cent, so that the figures I have just put on the
26 record, Mr. Chairman, have just been issued and are more
27 up-to-date than the figures in the brief.

28 MR. SINCLAIR: They were on a different basis,
29 were they not?

30 MR. HUME: I don't think so.



1
2 MR. SINCLAIR: I understood they made some
3 corrections.

4 MR. HUME: Yes, the corrections were made by
5 DBS, and I am not aware of the basis. It was a recalcula-
6 tion based upon a different approach.

7 Mr. Chairman, at page 10528 there was a table
8 read into the record which appears in section 3, page 12,
9 and I wish to point out on the record that unfortunately
10 -- excuse me, Mr. Chairman, I have the page in the
11 transcript but not in the submission; it is section 3,
12 page 7. There is a table reproduced at the top of the
13 page which appears in the transcript at page 10528, and
14 the decimal point has been omitted by error in that
15 typing, and there should be a decimal point on the right
16 hand column, the first figure. In other words, instead
17 of it being 9,381, it should be 93.81, and that decimal
18 point should be put correspondingly down the whole column
19 of figures, so that the last figure would be 199.46.
20 This is a calculation, and the decimal point has unfor-
21 tunately been omitted.

22 At section 3, page 12, of the submission, un-
23 fortunately the Province of Manitoba was inadvertently
24 left out of the table in paragraph 36, and the figures
25 in some respects are being interdispersed by reason of
26 that omission, and I would like to now hand it to the
27 reporter to be taken into the record as read, and in
28 the transcript it will show the proper table, which in-
29 cludes Manitoba, and it has the proper figures opposite
30 the proper province.



1
2 THE CHAIRMAN: What are the figures for
3 Manitoba?

4 MR. HUME: The figures for Manitoba for 1956
5 are 1,587, and that was incorrectly shown in the table
6 as being Saskatchewan. For 1957, it is 1,694, and
7 for 1958 it is 1,852, and I am afraid that the table
8 in the record is completely incorrect, that was for
9 Manitoba.

10 THE CHAIRMAN: Well, those figures correspond
11 with Saskatchewan.

12 MR. HUME: The proper Saskatchewan figures
13 should be 1,495 for 1956; 2,221 for 1957 and 2,760 for
14 1958, and I have a copy in longhand which I will hand
15 to the reporter and the proper table will be procured
16 in the record, and it will be corrected in that way.
17 I have an extra copy if any of my learned friends want
18 it.

19 'For-Hire' Truck Operators; Intra-Provincial,
20 Interprovincial and International Traffic
21 Total Freight Moved
('000 tons)

<u>Province</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
British Columbia	10,364	17,252	12,547
Alberta	19,230	21,352	27,294
Saskatchewan	1,495	2,221	2,760
Manitoba	1,587	1,694	1,852
Ontario	43,425	44,843	64,212

27 Explanatory: Our original table as it appears at
28 paragraph 36, page 12, section 3, inadvertently omitted
29 Manitoba figures and gave some other figures incorrectly.
30



1
2 MR. HUME: I would like, Mr. Chairman, in view
3 of the fact that the charts for the reasons stated by the
4 secretary were added as a flyleaf to volume 59 and I
5 would like for the purposes of the record to put on
6 the record the following statement.

7 The chart part of the flyleaf to volume 59
8 marked 4.2 is in fact reproduced in its proper place in
9 the record at pages 10547 and 10548. The charts numbered
10 4.11a to 4.11e would, in their proper position in the
11 submission, follow page 10563, and the two charts marked
12 4.15a and 4.15b would follow at the end of the first
13 paragraph on page 10571, and charts A-5 and A-6 are in
14 the appendix, which has not been reached as yet.

15 Now, Mr. Magee, would you be good enough to
16 take the stand.

17
18 JOHN A. D. MAGEE, continued

19 DIRECT EXAMINATION BY MR. HUME (Cont'd):

20 Q. On Friday afternoon we were at section 10,
21 page 20, of your submission, and you had in this section
22 dealt with the basic principle of regulation. You have
23 reviewed the historical events leading up to the case of
24 the Attorney General for Ontario et al versus Winner,
25 1954 Appeal Cases, 541, and you had reviewed and criti-
26 cized the present Motor Vehicle Transport Act, and you
27 and your Association have prepared for the consideration
28 of the Commission a revised Highway Transport Act.

29 Will you now please briefly give the views of
30 your Association on this matter?



1
2 A. Canadian Trucking Associations has given
3 careful thought to the method by which federal control
4 by provincial boards can be made to work. There follows
5 a proposed Highway Transport Act of Canada which we
6 recommend to the Commission as an alternative to the
7 present system. It preserves the regulatory role of the
8 provincial boards, making use of their members as a
9 federal controlling agency, rather than establishing a
10 new board in Ottawa. The proposed act provides for
11 control of entry into the field on the basis of public
12 necessity and convenience but it creates a joint transport
13 board for the purpose of hearing and dealing with inter-
14 provincial applications. The joint transport board
15 would proceed in a manner that would reduce all hearings
16 of extraprovincial applications to only one set of hear-
17 ings for each application and the statute would empower
18 the members of regulatory boards concerned to consider
19 jointly the evidence and jointly to render their decision.

20 The responsibility of the respective boards
21 in regard to extraprovincial rates is similarly clarified.

22 Control over the transfer of a licence or change
23 in share ownership is instituted.

24 Section 5 of the Motor Vehicle Transport Act,
25 1954, contains provision for exemption, as follows:

26 "The Governor in Council may exempt any person or
27 the whole or any part of an extraprovincial under-
28 taking or any extraprovincial transport from all
29 or any of the provisions of this Act."

30 Canadian Trucking Associations considered that this
section was unnecessary and undesirable and strongly



1
2 opposed it in 1954. It was cited publicly by the
3 Premier of Quebec as his government's reason for declin-
4 ing the Quebec transportation board's participation in
5 the system of federal control by provincial boards. The
6 federal government needlessly aroused friction and sus-
7 picion by the inclusion of this offensive section instead
8 of the type of appeal procedure that is normally found
9 in its transport legislation. Unless the government
10 intended to discriminate by treating certain truck lines
11 differently from others, there could be no reason for the
12 section. It was not necessary for national emergency
13 nor to protect the movement of military traffic as these
14 matters were already provided for in other federal
15 statutes. That all the friction and suspicion was
16 unnecessary is manifest in the fact that in almost six
17 years of existence in the Motor Vehicle Transport Act,
18 section 5 has never been used. No provision of this
19 type is included in the proposed highway transport act.
20 We strongly recommend that if new truck control legislation
21 is recommended by the Commission, the opportunity of
22 unanimous endorsement and support by the provincial
23 governments should not be dispelled by inclusion of an
24 exemption provision such as that contained in section 5.

25 Of all the problems reviewed in the submission
26 of this association, none, in our view, is more clear
27 cut than the failure of the Motor Vehicle Transport Act
28 in regard to extraprovincial truck control. The system
29 of control envisaged in the statute is sound, in our
30 belief; the failure of the system is in the mechanics.
It is our hope that the Commission will recommend effective



1
2 remedial legislation and, having regard for the fact that
3 issuance of your report must, of necessity, be many
4 months away, that you will stress the necessity of
5 prompt action by the government if it finds your recom-
6 mendation acceptable.

7 MR. HUME: . Mr. Chairman, may I ask that the
8 proposed act which appears in the submission be taken as
9 read, that it is not out wish to read it, except I would
10 like to make a very brief comment with respect to it for
11 the assistance of the Commission. The points I wish
12 to emphasize in passing, briefly, with respect to the
13 purported act, are, firstly, that it gives direction to
14 the regulatory authorities in the granting of licences;
15 by section 5.

16 Secondly, it requires joint hearings of
17 provincial boards acting as federal boards to ensure
18 representation of all provincial areas affected and
19 preventing multiple hearings in the one application;
20 by section 6.

21 Thirdly, in the event of a deadlock, it provides
22 an appeal to the Minister of Transport; by section 6.

23 Fourthly, it controls entry into trucking by
24 persons other than highway operators unless the regulat-
25 ory board is satisfied it is in the public interest to
26 issue such a licence, by section 8.

27 Fifthly, it ensures that written reasons for
28 the decisions will be issued by the regulatory board;
29 section 11.

30 It requires the filing of truck tariffs; by
section 12.



1
2 It preserves the right to make competitive
3 rates; by section 14.

4 And, finally, it restricts agreed charge type
5 contracts to 50 per cent of the shipper's goods.

6 The proposed highway transport act of Canada
7 is as follows:

HIGHWAY TRANSPORT ACT

8 1. This Act may be cited as "The Highway Transport
9 Act of Canada".

10 2. In this Act,

11 (a) "extraprovincial transport" means the
12 transportation of passengers or goods for hire or reward
13 by commercial vehicle over the highway by an undertaking
14 extending beyond the limits of a province.

15 (b) "interprovincial transport" means extra-
16 provincial transport connecting a province or provinces
17 with any other of the provinces.

18 (c) "international transport" means extra-
19 provincial transport extending beyond the limits of a
20 province into a foreign country.

21 (d) "Provincial Transport Board" means the
22 board, commission, body, person, or department having
23 under the law of a province power to authorize and regul-
24 ate a local undertaking.

25 (e) "Joint Transport Board" means a board com-
26 posed of a representative of the Provincial Transport
27 Board of every province through which an extraprovincial
28 transport seeks to operate.

29 (f) "commercial vehicle" means a motor vehicle,
30 trailer, or semi-trailer used for the carriage of passengers



1
2 or goods.

3 (g) "local undertaking" means the transportation
4 of passengers or goods for hire or reward by commercial
5 vehicle by an undertaking operating solely within the
6 limits of a province.

7 (h) "for hire or reward" shall mean any rate,
8 remuneration, reimbursement or reward of any kind, paid,
9 payable or promised or received or demanded directly or
10 indirectly for transportation service.

11 (i) "Minister" means the Minister of Transport.

12 3. No person shall operate extraprovincial transport
13 in any province or provinces unless he holds a licence
14 issued to him under the authority of this Act as herein-
15 after provided.

16 4. No person shall operate extraprovincial trans-
17 port in contravention of the conditions of his licence.

18 5. In determining whether a licence is to be
19 issued, the Provincial Transport Board, or the Joint
20 Transport Board, as the case may be, shall consider
21 among other things:

22 (a) whether public necessity and convenience
23 require such a licence;

24 (b) the fitness and financial ability of the
25 applicant;

26 (c) whether existing extraprovincial transport
27 previously licensed under this Act or any other Act is
28 adequate to meet present and future public demands for
29 such transport.

30 6. (1) Subject to subsection 4, the application for
an interprovincial licence, extension or amendment shall



1
2 be made to the Provincial Transport Board of the province
3 in which the applicant has its head office, in the case
4 of a corporation, or residence in the case of an indi-
5 dual, and such Provincial Transport Board shall notify the
6 Provincial Transport Board of any other province or
7 provinces affected by the application.

8 (2) A member from each of the Provincial Trans-
9 port Boards affected by the application shall together
10 exercise the powers conferred upon any provincial board
11 under this Act, and the representatives of such Boards
12 shall together constitute the "Joint Transport Board"
13 for the purpose of this Act with sole and exclusive juris-
14 diction over the interprovincial transport in the prov-
15 inces in or from which the representatives have been
16 appointed or otherwise authorized to act.

17 (3) In the event that the representatives
18 sitting jointly as provided in this section are unable
19 to reach a majority decision with respect to an applica-
20 tion, the applicant may apply to the Minister by way of
21 appeal from the deadlock, and the decision of the Minister
22 shall be final.

23 (4) In the event that the application does not
24 affect the province in which the applicant has its head
25 office or resides, as the case may be, the application
26 shall be made to the Provincial Transport Board of one
27 of the affected provinces who shall notify the Provincial
28 Transport Board of any other province or provinces affec-
29 ted by the application.

30 7. (1) Subject to subsection (2), the application
for an international transport licence, extension or



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2 amendment, shall be made to the Provincial Transport
3 Board of the province in which the applicant has its
4 head office, if a corporation, or where the applicant
5 resides, if an individual, and such Provincial Transport
6 Board shall exercise the powers conferred under this Act
7 with respect to such international application as to that
8 portion of the international transport undertaking within
the province.

9 (2) In the event that the application does
10 not affect the province in which the applicant has its
11 head office or resides, as the case may be, the applica-
12 tion shall be made to the Provincial Transport Board of
13 the province from which the applicant seeks to leave
Canada on international transport.

14 8. (1) The representatives of the Provincial
15 Transport Boards sitting as a Joint Transport Board as
16 provided in section 6 above, or the Provincial Transport
17 Board sitting as provided in section 7 above, shall
18 determine and approve the extensions, amendments, sus-
19 pensions, cancellations or transfers of existing licences
20 issued under this Act or changes in the share-ownership
21 of the persons licensed herein, subject to the same
22 considerations as are set forth in section 5 wherever
applicable.

23 (2) No licence shall be issued under this Act
24 in respect of a commercial motor carrier service, owned,
25 leased, controlled or operated by any person who is
26 engaged in the transport of goods for hire or reward by
27 means other than commercial vehicle unless the Provincial
28 Transport Board or the Joint Transport Board is of the
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1
2 opinion that it is in the public interest that such
3 licence be issued.

4 (3) No transfer of licence or change in share-
5 ownership which may or will affect the control of incor-
6 porated licencees, if the transfer or change in share-
7 ownership results in control of the licencee by any
8 person engaged in the transportation of goods for hire
9 or reward by means other than commercial vehicle, shall
10 be approved unless the Provincial Transport Board or the
11 Joint Transport Board is of the opinion that it is in the
12 public interest that such transfer or change be approved.

13 9. No person shall solicit by means of advertising
14 or otherwise, or undertake to arrange, extraprovincial
15 transport unless the person by, for, or on behalf of whom
16 the extraprovincial transport is operated is licensed
17 under this Act to perform the transportation that is the
18 object of such advertising or undertaking in the province
19 or provinces in or through which the transportation is
20 or is to be undertaken.

21 10. (1) Public hearing of an application or other
22 proceeding shall be held by a Provincial Transport Board
23 or a Joint Transport Board as the case may be, upon its
24 own motion, or upon written request therefor by an appli-
25 cant or person whose licence is under consideration, or by
26 any other licencee under this Act, or by any user of
27 extraprovincial transport having, in the opinion of the
28 said Board, an interest therein, or by any association of
29 carriers or association whose members are users of
30 extraprovincial transport.

(2) Public hearing shall be held at such times



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2 and place as may be fixed by the Provincial Transport
3 Board of the province in which the application is made,
4 after consultation and agreement with other Provincial
5 Transport Boards affected by the application as provided
6 herein.

7 (3) Emergency temporary authority to operate
8 extraprovincial transport may be issued by the Provincial
9 Transport Board to whom the application is made, without
10 a public hearing, providing no other motor carrier ser-
11 vice is available. No emergency temporary authority
12 shall be issued for a period exceeding 90 days.

13 11. (1) The members of the Provincial Transport
14 Board, or the Joint Transport Board, as the case may be,
15 shall issue written reasons for the decision on any
16 application or proceeding.

17 (2) An appeal shall lie from the decision of
18 the Provincial Transport Board or Joint Transport Board
19 to the Court of Appeal of the province in which the app-
20 lication is filed upon any question of jurisdiction or
21 upon any question of law, but no such appeal lies unless
22 leave to appeal is obtained from the said Court within
23 one month of the making of the order or decision sought
24 to be appealed from, or within such other time as the
25 Court, under the special circumstances of the case,
26 allows after notice to all parties, stating the grounds
27 of appeal.

28 12. (1) Every operator of extraprovincial transport
29 shall file with the Provincial Transport Board of the
30 province in which the operator has its head office, if
a corporation, or his residence, if an individual, the



1
2 the tariffs showing all the rates or charges for trans-
3 portation, and all services incidental thereto to and
4 from points to which extraprovincial transport service
5 is provided, whether by the licensee or by arrangements
6 with any other commercial vehicle transport.

7 (2) In the case of interprovincial transport,
8 such tariffs shall also be filed with the Provincial
9 Transport Board of each province into or through which
10 the licensee is authorized to operate. If such addit-
11 ional Provincial Transport Board wishes to adjust or
12 alter such tariffs, it shall request a joint hearing with
13 the Provincial Transport Board with whom the tariff is
14 filed, and a Joint Transport Board shall be convened to
15 meet with the operator concerned in order to adjust or
16 amend the said tariffs. In the event that the Joint
17 Transport Board cannot agree by majority decision on
18 the amendment or alterations, an appeal shall be had to
19 the Minister from the deadlock and his decision shall be
20 final.

21 (3) Nothing herein shall require an operator
22 to file tariffs of tolls in any province through which
23 it operates without pickup or delivery services in that
24 province.

25 13. Upon complaint by a licensee under this Act
26 or by a shipper or receiver, or an association of li-
27 cencees, or an association of shippers or receivers, or
28 an association of carriers, or upon its own initiative,
29 the Provincial Transport Board of any province into or
30 through which the extraprovincial transport operates may
request a joint hearing of Provincial Transport Boards



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2 and at such joint hearing as provided herein they may
3 amend, reject, suspend or disallow any tariff as filed
4 herein.

5 14. (1) No operator of extraprovincial transport
6 shall, subject to the provisions of subsection (2), after
7 a date to be prescribed by the Provincial Transport Board
8 or Joint Transport Board, as the case may be, charge or
9 demand or collect or receive a greater or different com-
10 pensation for transportation or for any service incidental
11 thereto other than the rate filed with the Provincial
12 Transport Board, and no operator of extraprovincial trans-
13 port shall refund or remit in any manner by any device,
14 directly or indirectly or otherwise, any portion of the
15 rates or charges so specified, or extend to any person
16 any privilege or facilities for transportation except
17 such as are specified in its tariffs filed with the
18 Provincial Transport Board.

19 (2) Nothing herein contained shall prevent an
20 operator of extraprovincial transport from making a
21 competitive rate, less than its tariffs filed, in order
22 to meet the competition of any person who is engaged in
23 the transport of goods for hire or reward by means other
24 than commercial vehicle and such competitive rate shall
25 be filed with the Provincial Transport Board within 3
26 days.

27 15. No operator of extraprovincial transport shall
28 enter into any agreement with a shipper or receiver, or
29 an agent of shippers or receivers, under which such
30 shipper or receiver is required by the agreement to ship
or receive more than 50 per cent of the goods of such
shipper or receiver by such operator.



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2 16. (1) In the exercise of its power to approve,
3 suspend and disallow rates and charges for the transport-
4 ation of goods, and the classifications, regulations and
5 practices relating thereto, the Provincial Transport
6 Board, or Joint Transport Boards, shall give due consid-
7 eration, among other factors, to any inherent conditions
8 of transportation by commercial vehicles; to the effect
9 of transportation costs upon the movement of traffic by
10 the operator of the extraprovincial transport whose rates
11 are under consideration by the said Board; to the need
12 in the public interest of adequate and efficient trans-
13 portation service by such carriers at the lowest cost
14 consistent with the furnishing of such service; and to the
15 need of revenue to enable an operator of extraprovincial
16 transport to operate under economical and efficient manage-
17 ment in order to provide extraprovincial transport.

18 (2) No carrier by commercial vehicle shall trans-
19 port interprovincial traffic unless its tariffs of tolls
20 are filed as provided in sections 12 to 14 of this Act.

21 17. Every person who knowingly demands, charges or
22 accepts rates which differ from those on file shall be
23 guilty of an offence and shall be liable to a penalty
24 of not less than \$25.00 and not more than \$100.00 on
25 the first offence; \$100.00 to \$200.00 on the second
26 offence; and \$200.00 to \$500.00 on subsequent offences.

27 18. The Governor in Council may pass regulations:

- 28 (a) prescribing forms for use by licencees;
29 (b) prescribing fees for filing applications
30 and tariffs and the payment thereof;
(c) prescribing terms and conditions applicable



generally to all licences issued under this Act;

(d) prescribing returns, reports or statements to be filed;

(e) prescribing rules and regulations of practice and procedure;

(f) prescribing the classification or classifications of goods;

(g) providing for the examination of books, records and documents of any licensee or any shipper or receiver of goods by extraprovincial transport;

(h) providing for filing insurance and guarantee bonds for the protection of the public or of the national revenue;

(i) providing for the safe operation of extraprovincial transport;

(j) providing for the exemption of the whole or any part of any extraprovincial transport from all or any provisions of this Act where exemptions exist under provincial laws for the transport of products of the farm, forest, stream, lake, river or ocean, moving directly from the farm, forest, stream, lake, river or ocean;

(k) providing for the manner in which joint hearings will be conducted;

(l) providing for rules of carriage;

(m) respecting any other matter necessary or advisable to carry out the intent and purpose of this Act and all transportation performed thereunder.

19. (1) Subject to section 17, every person who violates any provision of this Act or fails to comply with any written order or direction made by the Provincial



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2 Transport Board or by the Joint Transport Board under the
3 authority of this Act is guilty of an offence and is
4 liable on summary conviction to a fine of not more than
5 \$1,000 or to imprisonment for a term of one year, or to
6 both fine and imprisonment.

7 (2) The fine imposed under subsection (1)
8 shall be paid over by the magistrate or officer receiving
9 it to the treasurer of the province in which it was
10 imposed.

11 20. (1) All licences issued under the Motor Vehicle
12 Transport Act 2-3 Elizabeth II shall be deemed to have
13 been issued under this Act.

14 (2) The Motor Vehicle Transport Act 2-3
15 Elizabeth II is repealed.

16 Q. Now, Mr. Magee, the Order in Council, of
17 which we have heard this morning, among other matters,
18 refers to the matter of other assets and earnings of
19 railway companies: As a final section of your submission,
20 will you give the views of the Canadian Trucking
21 Associations on this matter, please?

22 A. The Order in Council directs the Commission to consider
23 and report upon whether, and to what
24 extent, the Railway Act should specify what assets and
25 earnings of railway companies in businesses and investments
26 other than railways should be taken into account in
27 establishing freight rates.

28 This problem affects primarily the Canadian
29 Pacific Railway Company. However, since the Canadian
30 Pacific is used as the "yardstick" for decisions by the
Board of Transport Commissioners as to the maximum



1
2 permissive levels of railway rates, the inclusion of
3 "other assets" in the setting of railway rates would
4 affect the whole railway system in this country.

5 The trucking industry's interest in this issue
6 is much broader than the competitive aspect of the
7 problem. Canada's 'for hire' truck operators are also
8 subject to rate regulations in four provinces and the
9 income base for rate determination is of great potential
10 interest to them. It is also understood that other
11 transportation industries have the same problem -- steam-
12 ship lines operating docks and other facilities, airlines
13 operating hotels or tourist lodges. Thus the Com-
14 mission's ruling on the "other assets" problem is bound
15 to have wide repercussions throughout the transportation
16 system of this country.

17 The position of Canadian Trucking Associations
18 is that the inclusion of "other assets" is economically
19 unsound and is bound to create serious dislocations in
20 the investment policies of the firms affected. Also,
21 in our opinion, the inclusion of "other assets" is in-
22 consistent with the optimum allocation of investment res-
23 sources and thus is against the public interest. (The
24 effect of the inclusion of the income from "other assets"
25 of the Canadian railways with the income from rail oper-
26 ations for rate making purposes is fundamentally the same
27 as the payment of a subsidy for rail operations and our
28 objections to such a policy are based upon the same
29 principles as our objections to a railway subsidy policy.
30 In both cases the rate which shippers must pay for some
railroad services will be artificially lowered so as to



1
2 fall below the level which the economics of railroad
3 operation alone would justify. Society will be encour-
4 aged to devote capital and labour to a service which
5 might otherwise have been replaced by a more efficient
6 competitive service.)

7 Deciding what the "other assets" are presents
8 serious analytical problems. If a very restrictive
9 definition is adopted, anything not directly related to
10 the provision of transportation services could be re-
11 garded as "other assets". A restaurant concession or
12 a cigarette vending machine at a terminal building could
13 be regarded as a part of "income from other assets",
14 since, in theory at least, there is no reason for the
15 railways themselves to operate terminal buildings (in
16 fact the majority of airlines in this country do not
17 operate their own terminal facilities). Such a restric-
18 tive definition, whatever its theoretical advantages,
19 is so much against the established traditions of railway
20 organization that its adoption is not practicable. In
21 practice, "other assets" are usually defined as assets
22 not directly related to the transportation services and
23 administered by more or less independent management units.
24 Another way of distinguishing this type of enterprise
25 from the operation of a railway system as such is that
26 its existence is not necessary for the performance of
27 railway services. For example, if the railways provide
28 a passenger service to A, then the existence of the
29 terminal facilities at A, with the usual amenities, is
30 essential to the continuation of such a service. On the
other hand, the existence of a railway hotel today is not



1
2 essential to the provision of passenger services to the
3 terminal (the situation might have been different at
4 some other time in the railways' history, but not now.)

5 The existence of some of the "other assets"
6 confers an indirect benefit on the railway's operation.
7 For example, the existence of a railway hotel within easy
8 access to the station provides an incentive to travel
9 by rail, and thus increases the number of railway
10 passengers. The existence of mining properties may
11 create extra traffic which helps towards a better
12 utilization of railway lines, decreasing unit costs of
13 moving freight over these lines. Thus, in a number of
14 cases, the very existence of "other assets" does improve
15 the income situation of the railways; these benefits are
16 reflected in the financial position of the railways and
17 thus exert some influence on establishment of the rate
18 level.

19 In our opinion, the inclusion of income from
20 "other assets" would mean trying to reap the same benefits
21 twice.

22 The problem is, however, more complicated than
23 this. "Other assets" are business enterprises with their
24 own investment needs and requiring different types of
25 business policies. If, in the opinion of management,
26 part of the income from these enterprises should be re-
27 invested in the same businesses, would such re-investment
28 be allowed for the determination of the "net income from
29 other assets" or would it be debited against the rail-
30 ways? This problem is far from academic: To exist,
the modern business must re-invest a portion of its



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2 profits, otherwise it runs the risk of becoming starved
3 of capital necessary for its efficient operations.

4 The problem is brought into sharp focus by the
5 fact that some of the enterprises may be classified as
6 "public utilities" and may thus be subject to actual or
7 potential rate regulation. The Canadian National Rail-
8 ways and the Canadian Pacific Railway Company operate
9 their own telegraph systems. Although, when these
10 facilities were established for the first time, there
11 was a definite link between the railway and telegraph
12 operations, this link is becoming less and less import-
13 ant. In a number of countries, excellent telegraph
14 facilities are provided jointly with telephone systems,
15 or with the postal services. Whatever the actual
16 method of operations -- and we do not suggest any change
17 in the present organization -- it is most important that
18 the communication system of the country be efficiently
19 operated and efficiently financed. If the income from
20 telegraph operations was assigned to offset any losses
21 -- or to increase low profits to an economical level --
22 it would mean that the telegraph operations would have to
23 subsidize the railways. It is difficult to see what
24 benefits to the country would accrue from this arrange-
25 ment -- why a person whose interest in the railway ser-
26 vices is purely indirect should be called upon to sub-
27 sidize a shipper every time he sends a telegram.

28 The case of the telegraph subsidiaries is the
29 most obvious but the same reasoning applies to the
30 investment in mining companies or hotels. Let us take
the example of a mining subsidiary -- Consolidated Mining



1
2 and Smelting Company. This company represents an
3 important unit in the Canadian mining industry. It is
4 of interest to the national economy that all our mining
5 units be adequately financed and that they be efficient
6 competitors on the world market. It is not likely that
7 Consolidated Mining and Smelting could continue to be an
8 efficient producer if its income, instead of being
9 partly re-invested, had to be siphoned off to pay for a
10 reduction in railway rates. In the long run, it might
11 even be proved that "cannibalization" of the mining
12 interests would undermine the railway's cost situation
because of the fall in traffic.

13 It is a matter of legitimate controversy --
14 into which we do not propose to enter-- whether large
15 firms should act as their own investment bankers and
16 enter other fields of economic activity. This problem
17 is, however, completely different from the problem of
18 income from "other assets". If it is decided that no
19 large company should establish subsidiaries in other
20 industries, the proper way of dealing with the problem
21 would be to order the railways to divest themselves of
22 non-railway interests. As long, however, as they are
23 allowed, as is any other large firm, to invest in other
24 lines of activity, they should be treated in exactly the
25 same way as a telephone company operating an electrical
26 engineering subsidiary, or a power supply company oper-
27 ating in any other field of business.

28 The problem of considering "other assets" for
29 rate making purposes can also be considered from the
30 point of view of the rationale of rate regulations. It



1
2 is generally agreed that one of the reasons for rate
3 regulation is the preservation of maximum stability in the
4 general level of rates, consistent, of course, with other
5 economic and political factors such as prevention of
6 monopolistic exploitation, discrimination, and economic
7 soundness of the enterprise. A complete stabilization
8 of rates is impossible because of such influences as
9 changing cost levels, efficiency and traffic patterns.
10 Nevertheless, the "stability of rates" factor indicates
11 that the introduction of disturbing elements into the
12 determination of the rate levels should be avoided. The
13 inclusion of the income from "other assets" would cer-
14 tainly introduce such an element of instability.
15 Generally speaking, Consolidated Mining and Smelting has
16 been profitable in the past but its fortunes depend on
17 the state of the demand for mining products on the world
18 market. No guarantee can be given as to continuation of
19 the present or past level of profits. Similarly,
20 Canadian Pacific Air Lines have not had too profitable
21 a past and one can speak with optimism but without com-
22 plete assurance about the future profitability of this
23 operation. If the income of Consolidated Mining and
24 Smelting is added to the railway's income, and a loss --
25 assuming that there is one -- from Canadian Pacific Air
26 Lines is deducted, what assurance is there that the net
27 results of this addition would show a consistent profit?
28 We have singled out two examples of industries with
29 strong "built-in" instability factors. It would not
30 assist in maintaining a stable level of railway rates if
that rate level was dependent on the vagaries of the



1
2 international commodity markets or the high degree of risk
3 inherent in air transport operations.

4 It is common in some businesses to stabilize
5 income from year to year by building up reserves in ab-
6 normally good years to carry over the business in poor
7 years. If the income from a profitable year's oper-
8 ations was used to subsidize the railway, it is only
9 equitable that the railway should be called upon to
10 stabilize the income of their subsidiaries in poor years.
11 If accepted, such a scheme would result in a high degree
12 of instability of railway rates -- directly opposed to
13 one of the important principles of rate regulation.

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17 (Page 10790 follows)
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The significant element of instability inherent in the revenue received from "other assets" is illustrated in the variations in the CPR's other income and the variations in the dividend rates of Consolidated Mining and Smelting Company of Canada:

CPR'S OTHER REVENUE AND DIVIDEND RECORD
OF CONSOLIDATED MINING AND SMLTING COMPANY OF
CANADA

Consolidated Mining and Smelting Co. of Canada			
Year	Dividends (\$ per share)	Earnings	CPR's "Other Income" \$
1951	2.20	3.10	29,343,635
1952	1.65	2.00	22,651,775
1953	1.20	1.23	16,802,051
1954	1.35	1.50	17,835,319
1955	1.75	2.01	22,894,567
1956	1.65	1.83	30,034,463
1957	1.35	1.13	23,441,276
1958	0.80	0.86	13,408,712
1959	0.80	1.02	12,677,751

Source: Canadian Pacific Railway Company
Annual Reports, 1951 - 1959.

The competitive aspect of the inclusion of income from "other assets" should also be considered. It is generally agreed that if the best system of competitive allocation of advantages is to be achieved, the advantages of enterprises should be restricted to the natural advantages of costs, including such potentially cost-reducing factors as access to markets, better financing arrangements, and the service aspect. It is clear that some of these advantages -- both costs and service



1
2 -- are the results of the size of an enterprise. How-
3 ever, the introduction of size advantages per se --
4 advantages of size not related to cost or service
5 advantages -- must result in imperfections due to purely
6 monopolistic elements; a wealthier firm may, through
7 cross-subsidization policies, bring down the level of
8 rates artificially to eliminate or weaken its com-
9 petitors. This danger is real enough without making
10 statutory provisions which would force a firm with larger
11 resources to undercut its competitors by using these
12 resources -- and to do so against its own wish and
13 against its own interest.

14 The basic problem has much wider ramifica-
15 tions than the position of the Canadian Pacific, im-
16 portant as that position is. In the trucking industry
17 itself we have firms with sizable side interests. In
18 some cases these non-transport interests may be much
19 larger than the trucking part of an overall enterprise.
20 If the principle of subsidization of rates from "other
21 income" is adopted -- and that is what taking "other
22 assets" into account for establishing the rate base
23 amounts to -- these firms may also be forced into the
24 same position of lowering their rates on the basis of
25 the existence of other resources. Complete chaos in many
26 sections of the trucking industry would be the result of
27 such a policy.

28 Q. Now, Mr. Magee, will you please complete
29 your submission of Canadian Trucking Associations with
30 a brief review of the trucking industry's position?



1
2 A. We have attempted in this submission to
3 provide the Commission with a dynamic view of the
4 Canadian trucking industry and an analysis of the
5 major problems which confront it.

6 We have reviewed the growth and changing
7 structure of the industry and its ability to compete for
8 an increasing portion of the Canadian transport market.
9 We have demonstrated the impact of truck competition on
10 railway freight rates. With regard to the freight rate
11 problem, we have analysed the trends which are now
12 apparent regionally and which will continue to ameliorate
13 this problem if the natural forces of competition and
14 industry growth are not harnessed or inhibited un-
15 naturally.

16 We have not denied that some regional inequi-
17 ties may exist in the freight rate structure and may
18 require corrective action of a nature other than com-
19 petition. We have urged the Commission not to recom-
20 mend policies which will discourage competition, and
21 we have commented on policies which we believe have had
22 this effect. Our argument is that transportation
23 policy in Canada, while it must give full recognition
24 to the problem of the railways, must not be synonymous
25 with a railway policy; there should not be assigned to
26 the railways any "chosen instrument" role. The best
27 interests of Canada require that past and future
28 transport policies be reviewed in terms of 1960, not
29 in terms of dates and occurrences of the past, which
30 are now transportation history.



1
2 The problem of whether rail "other income"
3 should be included in setting freight rates is one
4 which is fundamental to the proper allocation of this
5 country's transportation resources. We have presented
6 theoretical and practical arguments for its exclusion
7 from the determination of freight rates.

8 We have discussed extra-provincial truck
9 control and we have proposed repeal of the Motor Vehicle
10 Transport Act and its replacement with entirely new
11 legislation designed to overcome existing problems in
12 the system of federal control by provincial boards.

13 The problems presented by agreed charges, com-
14 petitive rates, piggyback, and railway entry into the
15 trucking field have a common basis in their effect
16 upon competition within our industry. In each case
17 our concern is to preserve the competitive environment
18 which has produced the significant progress made by the
19 railroad and trucking industries during the past fifteen
20 years. The recommendations we have made for dealing
21 with these issues are designed solely to preserve com-
22 petition.

23 Our recommendations as to the solution of
24 these problems may be summarized as follows:

- 25 1. Agreed charges -- as a safeguard against
26 use of railway agreed charges as a means of
27 eliminating competition we have proposed
28 that there be a statutory limitation of a
29 maximum of 50 per cent of the traffic
30 which can be tied exclusively to the railways



1
2 in any agreed charge, the shipper being free
3 to consign more than 50 per cent of his traf-
4 fic by rail if he prefers to do so. We have
5 proposed that there should be a right of
6 appeal to the Minister of Transport, for
7 the purpose of obtaining an investigation
8 of an agreed charge by the Board of Transport
9 Commissioners, for truck operators competing
10 with the railways and that the public inter-
11 est and the compensatory nature of the agreed
12 charge rates should be the Board's considera-
13 tions in making its investigation.

14 ii. Competitive rates -- to prevent the creation
15 of actual or potential monopoly by means of
16 rate reductions below the compensatory level,
17 or to a level which will eliminate competi-
18 tion, we have recommended that the Railway
19 Act be amended to provide for a right of
20 appeal by trucking associations to the Board
21 of Transport Commissioners.

22 iii. Piggyback -- to ensure the stability of the
23 trucking industry during the period of piggy-
24 back development, we have recommended that
25 the problem of control and regulation of piggy-
26 back services should be carefully considered
27 by the Commission and we have stated the
28 ~~principles~~ on which we believe this con-
29 sideration should be based.

30 iv. Railway entry into highway transport -- to



1
2 prevent the creation of actual or potential
3 monopoly in Canadian transportation by
4 means of railway acquisitions of trucking
5 firms or by the acquisition of operating
6 rights, we have recommended that neither
7 type of entry into the trucking field be
8 permitted unless the appropriate regulatory
9 authority considers that the acquisition or
10 establishment of highway transport service
11 by the railway is in the public interest.

12 We thank the Commission for the opportunity
13 of presenting the Canadian trucking industry's views and
14 recommendations and for the consideration and courtesy
15 which has been extended to our representatives throughout
16 the inquiry. We trust that our submission will be of
17 assistance to the Commission. Canadian Trucking Asso-
18 ciations will be pleased to extend any further assis-
19 tance or cooperation, as the Commission may require.

20 All of which is respectfully submitted.

21 Q. Mr. Chairman, if you would just like us
22 to finish, I would like to say that I would request that
23 Appendix A be taken into the record without being read,
24 it being self-explanatory, and we hope it will be of
25 some assistance. In that connection, if those within
26 the sound of my voice will turn to Charts A-5 and 6, I
27 will ask you to be good enough to insert percentages
28 which were inadvertently left out on the left hand
29 column. On A-5 the first percentage opposite the first
30 little tick should be 10, 20, 30. Similarly on page --
no, that is the only one.



Appendix "A"

1. General: In order to supplement the information derived from the published statistical data, Canadian Trucking Associations conducted a special survey of trucking companies by means of a limited number of "depth interviews" supplemented by a questionnaire circulated within the industry. The purpose of the questionnaire was to establish the basic factors which determine the economics of operation of highway transport enterprises.

2. At the beginning of the survey, an independent economist, retained by Canadian Trucking Associations especially for this project, visited the head offices of a small number of trucking companies and conducted extensive interviews with the companies' executive officers. The interviews normally lasted one day each and were conducted according to a predetermined plan; the discussions of the economic problems facing the company were held in an atmosphere of complete frankness and confidential company data were made available to analyse the problems discussed. These problems were:

- i. Growth of the company and the changes necessitated by the growth;
- ii. Basic cost determinants;
- iii. Service provided to the shippers and the competitive situation;
- iv. Other factors which may influence the industry's growth and operational or



1
2 organizational changes.

3 3. The results of these interviews were tabu-
4 lated and compared with extensive data relating to
5 trucking operations in the United States, and general
6 hypotheses were formulated which then were tested
7 against a wider experience of other companies by means
8 of questionnaires. In order to assure a strictly con-
9 fidential treatment, the individual replies were
10 analysed completely independent of the Association
11 office and no officer or member of the Association staff
12 had access to them.

13 4. The response to the questionnaire can be
14 regarded as satisfactory, the respondents ranging from
15 small owner-operator businesses to multi-million dollar
16 companies. At the time of the preparation of this report
17 it is expected that a few more replies will be forth-
18 coming. These replies will be tabulated, and if as
19 a result of these late entries, the information pre-
20 sented here should prove in need of a revision, Canadian
21 Trucking Associations will file this supplementary
22 information with the Commission.

23 5. This Association survey is the first of its
24 kind in the industry and like all the pioneer efforts
25 can claim neither perfection nor finality. Neverthe-
26 less, it is hoped that it will contribute towards a
27 better understanding of the economics of the trucking
28 industry and that it will be of assistance to the
29 Commission.

30 The questionnaires were prepared both in



French and in English. The questions asked can be grouped for summary purposes in the following way:

- i. General description of the size and nature of the company's operations;
- ii. Cost and traffic data;
- iii. Pattern of growth;
- lv. Competitive situation.

In addition, general questions on the economics of size and efficiency were asked; these questions were formulated as "statements of opinions" and carriers' comments were invited.

7. Most of the questions were answered satisfactorily and, with one exception, all of the replies were either wholly or partially usable.

COVERAGE

8. The distribution of responses by geographical regions was as follows:

<u>Region</u>	<u>Percentage of the Sample</u>
Maritimes	7
Quebec	32
Ontario	14
Prairies	11
British Columbia	11
Interprovincial and international	<u>25</u>
	100

Note: "Allocation" of carriers to a particular province or region was made entirely on the basis of routes, and was not based on the location of the head office; carriers operating, for example, between



Quebec and Ontario were classified as interprovincial, and not as Ontario or Quebec carriers; this explains the relatively small percentage of carriers classified under "Ontario".

This tabulation indicates that from the geographical point of view the sample was reasonably representative.

10. Further analysis indicated that the most meaningful grouping from the point of view of homogeneity of the results is the grouping by size and type of traffic carried (bulk vs. general traffic carriers).

11. Approximately 15 per cent of the replies were received from specialized bulk carriers, the rest from carriers of general traffic.

12 The distribution of the general traffic carriers by size is summarized in the table below:

Group	Range of Annual Gross Traffic Revenues ("A.C.T.R.")	% of the Sample
A	less than \$500,000	25
B	\$501,000 - 1,000,000	22
C	\$1,001,000 - 2,000,000	14
D	over \$2,000,000	25
		<u>86</u>
Bulk Carriers		<u>14</u>
	Total	100

13 We have reason to believe that in terms of the revenues the sample covers at least 15 per cent of the industry's output. It appears that the sample shows a moderate bias, somewhat over-representing the large firms.



1
2 According to the Dominion Bureau of Statistics publication
3 Motor Carriers, Freight, 1957, carriers with gross annual
4 revenues over \$500,000 account for 68 per cent of the
5 total revenues of all reporting carriers. Allowing for
6 the growth of individual firms, and the consequent
7 increase of the larger carriers' share in the industry's
8 output, it can be estimated that carriers with gross
9 annual revenues of over \$500,000 should account for some
10 76 per cent of the industry's total in 1959, which com-
11 pares with 88 per cent in the Canadian Trucking
12 Associations' sample. As the results obtained from
13 the survey are analysed by groups, this bias does not
14 produce any significant distortions.

15 ASSESSMENT OF THE RESULTS: THE FUNCTIONAL
16 RELATIONSHIPS

17 14 The main contribution of this sample study is
18 a systematic collection of opinions from within the
19 industry and the testing of these opinions against ob-
20 jective measurements and principles of economic analysis.

21 15 From this study certain quantitative results
22 have been derived. Because of the nature of the indus-
23 try and the inherent limitations of any sample of this
24 nature, these results in themselves are merely a general
25 indicator of trends and basic relationships and are not
26 to be regarded as precise measurements of functional
27 relationships in the trucking industry.

28 16 Accordingly, the results are presented here
29 in terms of generalized trend lines, derived not only
30 from statistical data obtained from the sample but
supplemented by informed opinions and evaluations



1
2 which were not always available from the sample in
3 any unequivocal form. We hope that by adopting this
4 method a more meaningful set of results has been pro-
5 duced.

6 16. The graphs presented here contain the exposi-
7 tion of the data derived from the sample study and
8 they form an integral part of the formulation of the
9 results.

10 Graph No. 1

11 AVERAGE LENGTH OF HAUL
12 AND
13 TERMINAL AND PICK-UP AND DELIVERY COSTS

14 (As Percentage of Annual Gross Traffic Revenues
15 versus Size)*

16 Explanations of Abbreviations:

17 P&D - Pick-up and Delivery
18 AGTR - Annual Gross Traffic Revenues

19 (a) Average Haul vs. Carrier Size

20 18. The solid curve indicates the relationship
21 between the size of the firm and the length of haul.
22 It appears that longer haul is functionally related to
23 the larger size of the enterprise.

24 19. These results can be tested against the
25 response to the question:

26 "Do you agree that large scale of operations
27 is needed for providing long haul services?"

28 20. Eighty per cent (80%) of long haul operators
29 answered "yes" without any reservations; the remaining
30 ones agreed, but qualified their agreement by noting
the necessity of a better directional traffic balance
and capacity utilization. One qualifying answer is

* Only general traffic carriers are considered here.



reproduced below as an illustration of the problems involved"

"Equipment utilization improves with longer haul only when properly controlled; few trucking companies in Canada can boast that. One other factor is that provincial regulations vary to the extent where interprovincial truckers are subjected to unfair and almost ridiculous penalties. What is acceptable in one province may be regarded as a violation in the other. Would agree that utilization of equipment improves with the longer haul and the size of firm only after provincial uniformity and controlled rates are put in effect."

(b) Terminal and Pick-up and Delivery Costs as Percentage of Annual Gross Traffic Revenues

21. The broken curve indicates the relationship between the size of the firm and the behaviour of the pick-up and delivery costs. It appears that terminal costs expressed as a percentage of revenues increase with the size of operations. The explanations of this phenomenon are:

1. Larger equipment used on long haul and high density routes requires more careful loading, scheduling of pick-up and delivery and subsequently more extensive supporting organization.

ii. Scheduled regular service brings about a situation where higher quality of service necessarily causes an increase in terminal



1
2 and pick-up and delivery costs.

3 111. Higher percentage of terminal costs also means
4 lower percentage of other operating costs;
5 in other words, the overall efficiency of
6 organization requires strengthening of over-
7 head services.

8 22. The results presented in this graph must be
9 qualified in the following way: it is most unlikely that
10 the terminal and pick-up and delivery costs curve
11 would climb indefinitely with the increase in size
12 of the firm. On the contrary, there is some evidence
13 that this curve would flatten or even decline with
14 further size increases; however, the limitations of
15 the size of the sample make it impossible to determine
16 the point at which this would happen.

17 23. The following qualitative information relating
18 to size and efficiency problems has been received from
19 the questionnaire survey:

20 1. Answering the question:

21 "Do you agree that equipment utilization
22 improves with the size of the firm?"

23 Every carrier who expressed his views of the subject
24 agreed that equipment utilization improves with
25 size.

26 11. Since terminal costs can be kept at a
27 reasonable level through mechanization of
28 terminal operations, a question was asked
29 regarding the minimum size justifying the
30 mechanization of terminal operations.



1
2 Eighty per cent (80%) of carriers who
3 answered this question agreed that the minimum
4 size is between 30-50 tons of traffic per day.
5 The remaining carriers named considerably
6 higher figures (100 tons per day or more).
7 Illustrative answers are reproduced below:

8 "30-50 tons per day hardly sufficient
9 to machanize terminal facilities,
10 would suggest 100 tons or over would
11 be required. Many firms not yet
12 reached this size."

13 "I would agree with 30-50 tons per day
14 range to the extent that growth of
15 traffic tends to lower costs of
16 terminal handling per unit."

17 "30-50 tons of freight per day depends
18 on the size of terminal (nature of a
19 terminal?). A small narrow dock
20 terminal can be very efficient."

21 Graph No. 2

22 LAND AND BUILDINGS AS PERCENTAGE OF TOTAL ASSETS
23 AND
24 ADMINISTRATION AND SALES EXPENSES AS PERCENTAGE
25 OF ANNUAL GROSS REVENUE VERSUS SIZE
(Only general traffic carriers are
considered here)

26 Explanations of Abbreviations:

27 L&B - Land and Buildings
28 A&S - Administration and Sales

29 24. The solid line indicates the relationship
30 between the size of the firm and the value of land and
buildings (expressed as a percentage of total assets).



1
2 The broken line indicates the relationship between the
3 size of the firm and administrative and sales expenses
4 (as expressed as a percentage of annual gross traffic
5 revenues).

6 25. Both lines show a typical U-shape. They
7 indicate a degree of under-utilization of capital and
8 administrative overheads below the \$1,000,000 -
9 \$2,000,000 size range; in the higher size ranges they
10 indicate the need for larger investments or adminis-
11 trative superstructure to allow for greater complexity
12 of a large size business as well as to take care of
13 the needs of service of higher quality, mentioned in the
14 discussions of Graph No. 1

15 26. This analysis of administrative and sales
16 costs was checked against the answers to the question:

17 "At what size of operation can the most efficient
18 office and terminal handling methods be intro-
19 duced."

20 Sixty per cent (60%) of the carriers replying
21 to this question expressed the opinion that
22 the minimum required business volume to justify
23 the introduction of the most efficient office
24 methods is \$3,000,000 per year; 20% mentioned
25 lower ranges (from \$1,500,000 - \$2,000,000)
26 20% disagreed with any minimum size level,
27 stating that even at a relatively low level of
28 traffic volume considerable efficiency can
29 be achieved, although not necessarily through
30 mechanization.



Graph No. 3

REVENUE PER EMPLOYEE
AND
AVERAGE RATIO OF DIRECT TO TOTAL EMPLOYMENT
VERSUS SIZE

Explanation of Abbreviations:

EMP	- Employment
REV	- Revenue
DIR/TOT	- Direct to total employment (number of direct to total number of employees)

27. Two sets of lines are drawn representing the experience of bulk operators and general traffic carriers relating to the revenue per employee vs. size relationship. (Revenue per employee is used as an index of output.) Ratios of direct to total employment for bulk and general traffic carriers are indicated in the right hand portion of the graph.

28. It is interesting to note that no direct relationship between the size and the ratio of indirect to total employment could be established from the sample (presumably due to the peculiarities of the sample), and this is the reason why only the average ratios were used.

29. On the other hand, it is interesting to observe that the large establishments, although faced with inherently higher administrative, sales and terminal expenses, show a revenue per employee only slightly lower than the smaller firms.

30. Bulk carriers show both higher revenue per employee and a higher ratio of direct to total employees



1
2 than the general traffic carriers; this, of course, is
3 due to a much lower level of terminal costs and administra-
4 tive and sales expenses inherent in this type of operation.

5 Graph No. 4

6
7 REVENUE TO ASSETS RATIO
8 VERSUS SIZE
9 FOR BULK AND GENERAL CARRIERS

10 31. Two lines were drawn for bulk and general traffic
11 carriers indicating how their experience differs. The
12 solid line represents the experience of general traffic
13 carriers. The broken line represents similar data
14 relating to bulk carriers.

15 32. It appears that in the size range around
16 \$1,000,000 - \$2,000,000 of annual gross traffic revenue
17 a relatively intensive utilization of fixed assets is
18 achieved. Further growth requires additions to fixed
19 equipment.

20 GENERAL COMMENTS ON SIZE AND
21 EFFICIENCY INDICATORS

22 33. It is clear that no single set of ratios
23 by itself can indicate the optimum (maximum efficiency)
24 size of operations. It is important to bear in mind
25 that under different circumstances -- different route
26 patterns, size of cities served, type of traffic carried,
27 quality and type of service required, etc. -- there
28 exist different optimum sizes of trucking firms.

29 34. The data analysed and the opinions of the
30 operators indicate that improvement of efficiency may
be achieved in any size group.

35. Nevertheless, there exist "danger areas" in the



development pattern of trucking firms; these danger areas exist if the growth in size requires a temporary, faster build-up of fixed assets than the rate of traffic growth; in such a situation further growth leads to higher efficiency through improvement in the assets' utilization. Also, a substantial loss of traffic may force a firm into a sub-optimum situation.

36. It is clear, however, that two fundamental generalizations can be firmly established on the basis of the facts analysed:

- i. There is a functional relationship between the size of the firm and the length of haul;
- ii. General traffic carriers are bound to have higher unit costs of operation than bulk carriers.

CONCENTRATION OF BUSINESS

37. The problem of concentration of the carriers' business among a small group of customers is important for the following reasons:

- i. The number of customers and the size of accounts affects the sales and administration costs of the carrier; the greater the number of small accounts, the higher the costs.
- ii. The concentration of a large proportion of the carrier's business makes him more vulnerable if he loses the accounts which represent a large percentage of his revenues.
- iii. A relatively small number of accounts allows the carrier to provide services specially



adjusted to his customers' needs.

Graph No. 5

REVENUE PER CUSTOMER
VERSUS SIZE FOR GENERAL AND BULK CARRIERS

38. Bulk and general traffic carriers appear to show two opposite tendencies.

39. With the growth in size, specialized bulk carriers appear to be more able to attract additional business from relatively small accounts. On the other hand, general traffic carriers seem to be more able to handle large accounts than the smaller firms.

40. Special attention should be given to the fact that in the curves drawn, different vertical scales are used. Revenues per customer of bulk carriers are considerably higher than those of the general traffic carrier, and, therefore, the vertical scale adopted for them is ten times greater.

41. An interesting phenomenon is illustrated by the fall in the average revenue per customer of general carriers in the size range of around \$500,000 annual gross traffic revenue. This confirms the generalization often expressed about the development pattern of trucking firms: a firm starts as a small carrier serving a few customers, then it becomes a true common carrier for the locality, serving a great number of small customers, and, later on, with further growth, it is able to add a number of really large accounts, and to serve larger customers on a regional or national scale.



Graph No. 6

FIVE LARGEST CUSTOMERS VERSUS SIZE,
BULK AND GENERAL TRAFFIC CARRIERS

42. This graph represents the relative importance for bulk and general traffic carriers of a few (5) of the largest accounts. These accounts hold a strategic position as far as the carriers' total business is concerned.

43. Two basic inferences may be drawn from the facts presented in this diagram:

i. In view of the importance of individual customers, even for very large firms, the trucking companies must -- and do -- provide highly personalized service.

ii. The companies are vulnerable to the making of agreed charges aimed at switching the large customers' business from the highways to the railways. Bulk carriers appear to be specially vulnerable in this respect.

COMPETITIVE SITUATION

44. The table below summarizes the replies to the questionnaire relating to the source, degree and the intensity of competition experienced by trucking firms.



COMPETITIVE SITUATION

Degree and Form of Competition by Source
and Intensity of Competition

Percentage of Replies by
Groups*

Total

A B C D

(a)

DEGREE & SOURCE OF
COMPETITION

Source

Degree

Other truck
firms

moderate
strong
very strong

22 17 67 0
45 83 33 28
33 0 0 72

25
46
29

Railways

moderate
strong
very strong

79 0 50 14
11 33 0 14
11 67 50 72

40
14
26

(b)

FORM AND SOURCE OF
COMPETITION

Source

Form

Other truck
firms

rate
service

67 67 33 100
45 50 33 43

68
43

Railways

rate
service

89 83 85 100
22 17 0 0

89
12

(c)

CHANGES IN THE INTENSITY OF COMPETITION DURING
THE LAST FIVE YEARS

Change

(all sources) increase
no increase

67 100 85 100
33 0 15 0

86
14

(d)

DIFFICULTIES EXPERIENCED BECAUSE OF AGREED CHARGES

67 67 100 72 71

- * Groups: A - Annual Gross Traffic Revenue of
less than \$500.00
B - A.G.T.R. \$501,000 - \$1,000,000
C - A.G.T.R. \$1,001,000 - \$2,000,000
D - A.G.T.R. over \$2,000,000

45.. This table reveals that the trucking industry
not only competes with the railways but that it is also
highly competitive within itself. It is especially



1
2 interesting that the largest trucking firms experience
3 a very high degree of competition. Therefore, it may
4 be deduced that the growth in size of individual
5 trucking enterprises does not reduce the intensity of
6 competition, but, in some respects may even increase
7 it. Fears that a monopolistic situation may arise from
8 within the trucking industry because of the growth of
9 individual firms appear to be contradicted by experience.

10 MR. HUME: The next thing I should like to
11 say is, the present Motor Vehicle Transport Act is
12 reproduced for the assistance of the Commission as
13 Exhibit B. Before presenting my case in chief I
14 would like to ask Mr. Magee to read into the record
15 a statement of national transportation policy of
16 Canadian Trucking Associations.

17 A. I should explain that this statement of
18 our national transportation policy is derivative and
19 will be recognized by many in this room as bearing
20 some resemblance to the national transportation policy
21 of the United States, but it has been adjusted to
22 Canadian conditions as we feel they should exist for
23 transportation.

24 National Transportation Policy for Canada.

25 The Canadian Trucking Associations strongly
26 recommends the adoption of a national transportation
27 policy in the public interest to provide for fair and
28 impartial regulation of all agencies of transportation,
29 so administered as to recognize and preserve the
30 inherent advantages of each; to promote safe, adequate,



1
2 economical and efficient service and foster sound
3 economic conditions in transportation; to encourage
4 the establishment and maintenance of reasonable charges
5 for transportation services, without unjust discrimina-
6 tion, under preferences or advantages, or unfair or
7 destructive competitive practices; to cooperate with
8 the provinces and the duly authorized officials there-
9 of; all to the end of developing and preserving a
10 national transportation system by water, highway, rail,
11 air and pipe line, as well as other means, adequate
12 to meet the needs of Canada. The relevant provisions
13 of all legislation should be amended, administered and
14 enforced with a view to carrying out this statement
15 of policy.

16 THE CHAIRMAN: We will have a recess now.

17 ---Short recess.
18
19
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21
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30



1
2 THE CHAIRMAN: Order, please.

3 I wonder, Mr. Hume, if you would speak to this
4 matter of Mr. Sinclair's at 2 o'clock.

5 MR. HUME: Yes, sir.

6 THE CHAIRMAN: So that we can then consider
7 the matter as a Commission and rule tomorrow morning.

8 MR. HUME: Yes, sir, I would be glad to.

9 THE CHAIRMAN: Mr. Cooper?

10 CROSS-EXAMINATION BY MR. COOPER:

11 Q. Mr. Magee, in my questions I will be
12 referring to your submission rather than to the trans-
13 script of evidence.

14 MR. MAGEE: Yes, Mr. Cooper.

15 Q. Would you, for the benefit of the
16 Commission, Mr. Magee, describe briefly the work carried
17 on by the Canadian Trucking Associations?

18 MR. MAGEE: Yes. The Association deals with
19 the federal government on behalf of the trucking industry
20 across Canada, and normally confines its activities to
21 that of federal legislation or some type of federal
22 regulation which might confront the trucking industry.
23 That is our role in the legislative sphere. We also
24 carry on public information activities on behalf of the
25 trucking industry, and participate and co-operate in
26 certain public-spirited activities, such as the Institute
27 of Traffic and Transport, which Mr. Grady described the
28 other day, of which we are a founder member along with
29 the railways and many other forms of transport.

30 We have another important function which is



1
2 perhaps of assistance to this Commission and government
3 departments, and that is the bringing into harmony of the
4 regional viewpoints of the trucking industry which some-
5 times arise because of the fact that the basic organiz-
6 ation of the industry is that of autonomous provincial
7 trucking associations, and we are really a provincial
8 associations, and that is a major part of our responsib-
9 ilities. Usually we succeed; sometimes we don't.

10 Q. As I understand, the Associations is
11 appearing before this Commission to present the views
12 of the for-hire trucking association only?

13 MR. MAGEE: That is correct.

14 Q. If matters concerning trucking have to
15 be dealt with at the provincial legislative level, who
16 carries whatever work might be necessary in that connec-
17 tion? - the provincial associations does or does your
18 association do any part in such activities?

19 MR. MAGEE: Normally that is carried on
20 entirely by the provincial associations. Mr. Goodman,
21 who is here, is the general manager of the Automotive
22 Transport Association of Ontario, and his association
23 handles all intraprovincial problems of the Ontario
24 trucking industry in the province.

25 Q. Do you and your association publish any
26 annual report or other publications which might be
27 made available to the Commission which would assist them
28 in their work?

29 MR. MAGEE: Yes, we publish the proceedings
30 of our annual meeting, which are certainly available to
the Commission. We publish regular bulletin service to



our members in which we clarify problems that have arisen in Ottawa to the best of our ability, and sometimes correct misunderstandings among our own members as to exactly what is happening. We issue, deliver lectures in universities in company with the railways and other transportation interests at transportation courses and make submissions to parliamentary committees when the necessity arises, and we do many other things, and such information which may be or assistance is available to the Commission.

Q. I turn to page 2.1 of the submission and the sentence which reads:

"Furthermore, almost any action of the government which affects one of the competitive transport industries is bound to affect other industries providing identical, similar or even dissimilar transport services."

The paragraph from which I have read that sentence opens with a reference to the transportation industry being affected, to a very large degree, by government policies resulting in direct or indirect subsidization, regulation, or taxation of carriers. Has your association given any consideration as to whether or not there should be brought into being an over-all planning and advisory board or authority dealing with all media of transportation? I am not now talking necessarily of control of rates or anything of that sort, but a planning and advisory board over all means of transportation in the industry in Canada?

MR. MAGEE: No, we haven't, Mr. Cooper. We



1
2 were interested to notice a proposal along those lines
3 in the submission of the Manitoba government, and we
4 have given some thought to it, but we have not taken
5 any position on it.

6 Q. You are not prepared to state at this
7 time, then, whether or not the associations would be
8 in favour or against the establishment of such a board
as I have suggested?

9 MR. MAGEE: No, we have no position on it.
10 There is a question in our minds as to whether the
11 function is not fulfilled at the present time by the
12 economic policy branch of the Department of Transport.
13 That is a branch of the Department which, from our
14 experience, in dealing with it, is constantly reviewing
15 all types of transportation problems, and in the last
16 few years particularly has certainly shown an interest
17 in being informed of the developments and growth in the
18 trucking industry and some of the problems that we encounter.

19 Q. In paragraph 2 on the same page, 2.1, you
20 state:

21 "Transport industries in this country are both
22 complementary and competitive. Certain types of
23 traffic are more suited to one mode of transport
24 than another. On the other hand, there are types
25 of traffic for which two or more transport industries compete."

26 Can you give examples of types of traffic and
27 modes of transport suited to them which you have in mind
28 in making this statement?
29
30



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2 MR. MAGEE: Well, I would think that ore and
3 grain are types of traffic which are more suited normally
4 to movement by rail than by truck, although trucks do
5 handle that type of traffic. When the question of convenience
6 or cost arises. I would think that merchandise traffic,
7 perhaps, particularly what we call less than truckload
8 traffic, the handling of that type of traffic is perhaps
9 suited more to trucks, and yet the railways are making
10 aggressive attempts to win the shippers' favour in the
11 movement of that traffic. As we say, it is rather hard
12 to define or to put a straight line between two modes of
13 transport and to say what is best for both.

13 Q. I turn to the statement on pages 2.2
14 and 2.3, in regard to the major problems facing Canadian
15 transportation today. You list there four problems,
16 as I understand it. In fact, I think that subparagraph
17 3 in paragraph 7 does not represent a problem at all
18 but is merely an observation on the increase in the
19 extent and scope of competition.

19 MR. MAGEE: Yes.

20 Q. And the problems that you have in mind
21 can therefore be found in subparagraph i, ii, and iv only?

21 MR. MAGEE: Yes, Mr. Cooper.

22 Q. Now, turning to subparagraph iv of para-
23 graph 7 on page 2.3, where you refer to the changing
24 structure of Canadian transport and the emergence of
25 new competitive elements require a revaluation of the
26 methods which can best assure the realization of the
27 constant and paramount aims of national transport policy.
28 In your view, Mr. Magee, should the transportation industry
29 be considered and used as an instrument of national
30



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2 policy by the government?

3 MR. MAGEE? There may be some circumstances
4 where that may prove necessary in a certain area of
5 Canada, and if that is done, then we think that all forms
6 of transport should be dealt with similarly. I am
7 referring particularly to the possibility of subsidiz-
8 ation, and the use of transport agencies as an instrument
9 of national policy. Generally speaking, the trucking
10 industry very strongly believes that the transportation
11 system in this country should be conducted as much as
12 possible along free enterprise lines, and that there
13 should be the minimum interference with that type of
14 operation.

15 Q. But as I understand your views, you can
16 conceive of certain circumstances arising and perhaps
17 particularly in certain communities or regions where
18 the transportation industry, as it affects the particular
19 region, might be used as an instrument of national
20 policy to ameliorate conditions in that region?

21 MR. MAGEE: Yes. But I would like to add,
22 Mr. Cooper, that if a transport agency or transport
23 agencies are to be used as an instrument of national
24 policy in that way by the government and it causes loss
25 of revenue or affects their financial position, that
26 would be an instrument of national policy, then certainly
27 the government should not expect any transportation
28 agency to finance out of its own resources the
29 instrument of national transportation policy role.

30 Q. That can only lead to the further
thought that government assistance must be given in some



1
2 form or another under such circumstances?

3 MR. MAGEE: Yes.

4 Q. As carrying out the national policy which
5 might be applied to any particular region.

6 MR. MAGEE: That is our belief.

7 Q. In paragraph 8 on page 2.3, and I refer to
8 subparagraph ii of that paragraph, you refer to encourage-
9 ment and preservation of competition as one of the funda-
10 mental principles on which to base solutions to national
11 and regional transport problems; and on page 2.4, at
12 the conclusion of that subparagraph, you say:

13 "In no way, either directly or indirectly, should the
14 development of competition in transport be blocked."

15 Now, this suggests to me, Mr. Magee, that the
16 transport industry should be left free from all controls.
17 Now, is that a proper inference from what appears in the
18 subparagraph I have just referred to and from which
19 I have just read the last sentence?

20 MR. MAGEE: Our belief is that there are
21 certain safeguards that are required by way of legislation
22 and regulation so that competition in transport can be
23 preserved. We would call them minimum safeguards,
24 and they are the type of recommendations that we have made
25 throughout the submission.

26 Q. The type of recommendation you have made
27 throughout the submission, then, in your view, represents
28 minimum safeguards for competition? Is that a proper
29 understanding of your recommendations and the effect of them?

30 MR. MAGEE: Yes; and we have also recommended in
our draft highway transport act a form of regulation which



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2 we think will be a benefit to shippers and also which
3 will help to stabilize certain undesirable conditions in
4 the trucking industry and build a competitive trucking
5 industry that will, in many areas of this country, be
6 a stronger and stable and better industry than it is
today.

7 Q. Perhaps we can deal with those points
8 when we come to consider the proposed act. I am just
9 now seeking to obtain a statement of general principle
10 by which your policy is guided?

11 MR. MAGEE: Yes.

12 Q. On page 3.1, paragraph ii, you refer to
13 the handicap in the presentation of the trucking industry's
14 picture by the relative paucity of reliable statistical
15 data, and you point out that this is a fact which results
16 largely from the complexity of the industry's structure
17 and its relative youth, and then you qualify the state-
18 ment by referring to the work that has been done by
19 the Dominion Bureau of Statistics. What suggestions
20 have you for improvement in the compilation of reliable
21 statistical data in the industry?
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2 MR. MAGEE: Well, in the first instance, we
3 think that the Dominion Bureau of Statistics is improv-
4 ing, and has improved greatly -- the statistical coverage
5 of the industry. I can't give you any detailed sugges-
6 tions now for further improvement. It has been more
7 a case of our working with them, and as things arise,
8 in the statistical reports which we don't understand,
9 or which we feel perhaps are not quite correctly based,
10 we discuss the matter with the bureau and sometimes they
11 agree with us and sometimes they don't, and it has been
12 handled more on that --- perhaps I might call it a
13 day-to-day basis -- than the evolvement of any over-all
14 program for statistical improvement. The big problem
15 is, of course, the tremendous number of small operators
16 and the cost of covering them. We have been able to
17 work with the bureau in that regard, and when the bureau
18 gets a nasty letter from a small trucker saying he does
19 not know why he is burdened, as a taxpayer, with this
20 form descending upon him and having to fill it out, the
21 bureau gives us the name of the trucker and we write to
22 him and explain why the information is necessary, and
23 it usually has a salutary effect.

24 Q. May I put it this way, that satisfactory
25 statistical data are being developed by the Dominion
26 Bureau of Statistics?

27 MR. MAGEE: Yes.

28 Q. And you have no specific suggestions as
29 to anything else that might be done, other than a
30 continuation of the co-operation which is now existing
between your associations and the Dominion Bureau of



1
2 Statistics?

3 MR. MAGEE: Yes, we think there has been a
4 steady and progressive improvement, and we hope to continue
5 to see that, and we think it will continue to occur.

6 Q. I turn to page 3.2: I think there is just
7 a small perhaps typographical error in the second last
8 line of paragraph 5, where you refer to 197 million tons
9 moved by truck. I think, if you look at paragraph 4,
10 294 million tons, quantity hauled by truck, while the
11 railways moved 197 million tons.

12 MR. MAGEE: Yes that is quite correct.

13 Q. Perhaps we should correct that by putting
14 "294" instead of "197" in paragraph 5?

15 MR. MAGEE: That is right.

16 Q. That figure of 294 million tons hauled
17 by truck, as I understand it, does not include private
18 urban movements?

19 MR. MONTAGUE: I would have to refer to the
20 table, Mr. Cooper, but my note here in regard to that
21 comment we made -- the only evidence we had to reassure
22 ourselves that it was a large truck movement -- probably
23 semi-trailer and upwards -- was the rather high percentage
24 shown per carrier, which was 8 tons, and we assumed,
25 therefore, that is the for-hire truck industry figure,
26 which should not include the private interurban.

27 Q. Well, I think you might check the figure,
28 Mr. Montague. I think the statistics contained in the
29 publication Motor Transport Traffic Statistics, National
30 Estimates, 1957, on page 14, and the figure of 294 million
tons appears to be made up of for-hire, total tons



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2 carried and intercity and farm, and I wanted to know
3 if you could tell me if the for-hire figure included
4 local cartage?

5 MR. MONTAGUE: In my understanding, it does
6 not include local cartage.

7 Q. Does not include it?

8 MR. MONTAGUE: That is right.

9 Q. Have you the table there, Mr. Montague?

10 MR. MONTAGUE: This is the 1957 -- we don't
11 think that that figure does include ---

12 Q. And when you say "that figure" you mean
13 294 million tons, and referring specifically to the
14 figure of 126,262 (thousands) of tons appearing in
15 the column "For-Hire" in the publication to which I have
16 referred, on page 14?

17 MR. MONTAGUE: That is correct, and we make
18 that assumption because, as you will note, underneath
19 that figure, the last figure referred to, there is a
20 figure of 8 tons which refers to the average load carried.

21 Q. The average weight carried?

22 MR. MONTAGUE: Yes, and we feel that is such
23 a large figure it would not be an urban carrier that
24 was included in that calculation. But, that is the
25 main basis for our judgment there. We would have to
26 go deeper than that to make an accurate statement.

27 Q. The reason I raise the question is because
28 the figures used by Mr. Wright, and they appear to be
29 figures comparable to railway figures, and I don't quite
30 see the comparison if local cartage is included.
However, in your view, it is not?



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2 MR. MONTAGUE: That is right.

3 MR. MAGEE: This can be simply cleared up,
4 and we will find out for sure and tell the Commission.

5 Q. In paragraph 7 on page 3.2, you refer to
6 monopolistic elements in the rate structure and certain
7 distortions which exist: Would you tell us, please,
8 what are the monopolistic elements to which you make
9 reference, and the certain distortions which exist?

10 MR. MONTAGUE: What we are referring to is,
11 wherever a given rate for any carrier exceeds what would
12 be his full costs, then, of course, in theory some
13 monopolistic element is present, because it is enabling
14 that carrier to carry freight at a rate which is greater
15 than his full cost. Wherever that situation exists --
16 and it does exist not only for the railways, but,
17 obviously, on some trucking lines, -- wherever it
18 exists, then you can't make this judgment as to the value
19 the community is placing for the services given on
20 strictly a revenue basis. All we are explaining there
21 is that there is some limitation to looking at revenues
22 alone as being a method of making a judgment as to the
23 value of the service to the community, because in some
24 instances -- and I say wherever the rate charged may
25 exceed the fully distributed cost of the carrier, then,
26 of course, we say there is a monopolistic element.
27 We are not using this in the sense of something that
28 is to be discouraged. We are saying this is a fact,
29 and that is why revenue figures have their limitations.

30 Q. That is a situation which may be present
in the trucking industry as well as in the railway
industry?



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2 MR. MONTAGUE: That is correct.

3 Q. The expression "certain distortions which
4 exist" perhaps is covered by what you have already said?

5 MR. MONTAGUE: That is what we mean by
6 "certain distortions".

7 Q. In paragraph 9 on page 3.3, you have there
8 a column "Trucks for Hire": I have already referred
9 to that, and that figure, 126,262 (thousands) does not
10 include local cartage services?

11 MR. MONTAGUE: That is correct. I should say,
12 that is our understanding of the figure.

13 Q. In paragraph 11 on that same page, 3.3,
14 you refer to the fact that no historical series are
15 available for the for-hire trucking industry which
16 would make it possible to establish long-term trends.
17 You refer to Mr. Wagdin's paper, and then you make this
18 statement:

19 "If such estimates are used for tracing the growth
20 of commercial road carriers, the results produced
21 would tend to underestimate the growth of commercial
22 trucking."

23 Why would this underestimate the growth of commercial
24 trucking?

25 MR. MONTAGUE: We made that statement because,
26 in our view -- and we developed this in the brief --
27 there has been a marked growth in the ton miles carried
28 by for-hire trucks. This has not been duplicated
29 in the private sector of the industry. That is our
30 understanding of the situation. When you combine the two
figures -- and we should point out the private sector is



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2 responsible for a large ton-mile figure -- when we
3 include them with us, they naturally hold down our
4 trends; that is, if we produced an index based on the
5 for-hire trucking industry figures, we would be able to
6 show the remarkable increase over certain years, but
7 when we lump the figures together with the private sector,
8 which does not also show this marked increase, it tends
9 to hold down our index, because we are operating off a
larger base.

10 Q. In paragraph 14 on page 3.4, you refer to
11 average distance travelled, and you refer to "medium
12 traffic" and "long haul traffic" and "maximum distance
13 of truck operations". I know at one point in the brief
14 you have referred to long haul traffic as being traffic
15 exceeding a period of 12 hours from point of origin to
16 point of delivery, but I consider that it would assist the
17 Commission if you could tell the Commission what you
18 mean when you use the expression "medium haul traffic"
19 and the expression "long haul traffic" generally, and
20 also some information as to "maximum distance of truck
operations."

21 MR. MONTAGUE: You have given us, of course, a
22 difficult question here. Could I review my understanding
23 of what we have said. We have pointed out that the
24 increase in the average distance which the trucking
25 industry is moving goods indicates an increase in com-
26 petitiveness for all types of traffic. It may not be
27 completely limited to simply long haul traffic. It is
28 most difficult for me to define for you what we mean
29 by a long distance or a medium distance or a short
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2 distance, because we didn't consider this of importance
3 when we made that statement. We were simply saying
4 competitiveness has not solely increased on the long end
5 of it. It has increased right across the range of
6 truck services, and I think it was really building up
7 to try to explain the relatively low figure for Ontario.
8 In other words, what we are saying there is that there is
9 a great increase in the medium and short range traffic
10 in Ontario, as we all know, and because it is such a
11 large proportion of the Ontario traffic it tends to hold
12 down the average haul of all Ontario traffic, and,
13 in a sense, it may underestimate the growing length of
14 haul which Ontario traffic is taking on, and by that
15 I mean the growing maximum length of haul. Even though
16 the maximum length of haul is growing, it is still not
17 a large proportion of the total Ontario haul, and there-
18 fore the average figures do not reflect this trend
19 towards an increasing length of haul. The whole paragraph
20 was designed to attempt to explain those figures.
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(Page 10833 follows)



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Q. Just taking the expression, perhaps, divorced from the particular paragraph; when you refer to medium hauls and long hauls throughout the submission, what generally do you mean, in terms of distance?

A. Well, I would think a medium haul might be Toronto to Montreal, and what I would call a long haul would be Toronto to Winnipeg and perhaps even Montreal to Windsor. I don't think we have ever classified it too definitively.

Q. Perhaps it cannot be classified.

THE CHAIRMAN: I suppose it is continually changing?

THE WITNESS: That is right, Mr. Chairman.

MR. COOPER: Q. In paragraph 16, on page 3.5, you refer to the fact that trucking can no longer be regarded as a short haul industry, and that the impact of truck competition is spreading over a wide range of commodities, some regarded as low-valued commodities.

Now, what are examples of low-valued commodities which apparently are now feeling the impact of truck competition?

A. The type of commodity that we had in mind are the commodities shown in the Dominion Bureau of Statistics National Estimates for 1957, and which are defined on page 30 in Appendix 3, under the heading "Commodity classification", and these are all commodities that are being hauled by truck; agricultural products, and the movement, for example, of international and interprovincial carriers of agricultural products is shown



1 on page 27 of that report.

2
3 Now, agricultural products consist of flour,
4 fruit, grain, grain products, sugar beets, vegetables
5 and other agricultural products.

6 Then, there are mine products; coal and coke,
7 crude petroleum, ore and concentrates, sand, gravel,
8 crushed rock and fill and other mine products.

9 Q. In any event, the commodities to which
10 you have reference can be found in the publication to
11 which you have just referred?

12 MR. MAGEE: There are some of the typical
13 commodities.

14 Q. In paragraph 17 on the same page, 3.5,
15 you refer to the increase in the average length of haul
16 on railway traffic carried under agreed charges, and
17 you point to the fact that there are other factors
18 contributing to the increase in the average agreed
19 charge length of haul, other factors, that is, than
20 truck competition. Now, to what have you reference
21 there; agreed charges on traffic to the Pacific coast
22 to meet competition there?

23 MR. MAGEE: Yes. I was going to say that if
24 Mr. Frawley was here he could quickly enlighten us on
25 that.

26 MR. SINCLAIR: That is the wrong word to use
27 for what he does!

28 MR. COOPER: Q. At page 3.6, the table at the
29 top of that page, "Average Load Trends; Interprovincial
30 and Intra-Provincial Truck Movements, Selected Provinces,



1 1956-1958". Are there any figures for the other pro-
2 vinces available?
3

4 MR. MONTAGUE: There are no figures available
5 which would give us a trend. I think there are some
6 provinces that have figures published for 1958, but,
7 of course, we were attempting to show the trend and, I
8 think, we took the five provinces which had had figures
9 for the period of the three years which we have showed
10 our trend. The figures for other provinces are coming
11 out now, but they haven't been in existence for the
12 longer term.

13 Q. In paragraph 19 and the following para-
14 graphs, Mr. Magee, you refer to the growth of the trucking
15 industry, the growth in the size of the firms, and the
16 smaller operators perhaps being replaced by larger
17 operators, and generally to the trucking industry be-
18 coming big business.

19 Has not the growth of the trucking industry
20 been made possible in large measure by improvements in
21 existing highway construction and new highway? That
22 factor is not mentioned in this particular paragraph, but
23 isn't that a very significant factor in the growth of
24 the trucking industry?

25 MR. MAGEE: Yes, it is indeed. That is why
26 you are seeing the maritime provinces, for example, and
27 in Alberta and other provinces, where the highway stan-
28 dards are either up to or coming very close to the highway
29 standards in the two central provinces.

30 Q. Have you any figures on the number of



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2 firms in the trucking industry which have failed and had
3 to cease operations? You mentioned expansion; there
4 is nothing there about contraction and as to how many
5 failures there have been in the trucking industry in
6 recent years?

7 MR. MAGEE: There has been plenty of contrac-
8 tion underneath the expansion, and it is very difficult
9 to compile information as to these failures. We would
10 very much like to be in a position to do it because it
11 has an obvious relationship to our views on regulation,
12 and there are several ways of testing what is happening
13 in the trucking industry, and one is by asking the
14 Dominion Bureau of Statistics just what kind of a problem
15 they have in keeping their mailing lists on truck opera-
16 tors in this country up to date, and there are certain
17 provinces where there is a very large annual turnover
18 in the trucking industry.

19 Another way of checking it is by going to the
20 credit departments of the large suppliers, such as the
21 truck and trailer companies; they can give a very graphic
22 picture of both the good and the bad side of the trucking
23 industry in that regard, Mr. Cooper.

24 Q. In any event, you have no figures yourself
25 which are available to the Commission on that?

26 MR. MAGEE: No, we haven't. We know that this
27 is happening; we hear it all the time when you are
28 travelling and meeting with the provincial associations,
29 but we have no figures on it.

30 Q. Now, at page 3.8, paragraph 24, you refer



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2 to the warehousing facilities, and you say, "considerable
3 investments have been made in terminal and warehousing
4 facilities, as well as in overhaul and maintenance
5 facilities."

6 Are warehouse facilities generally rented by
7 the for-hire trucking operators or do they build their
8 own buildings, or what is the situation in the industry?

9 MR. MAGEE: Sometimes they build their own
10 and sometimes they rent them; it depends if there is a
11 rapid expansion of the firm, that it may have to rent
12 for a while until they can build in some part of the
13 city where they are not going to get complaints from
14 all of the people living in the houses about the big
15 trucks rolling by, but I cannot give you any precise
16 information on what the breakdown is.

17 Q. There is no arrangement between them;
18 sometimes it is rental and sometimes acquisition of
19 buildings?

20 MR. MAGEE: It is mostly acquisition.

21 Q. Now, in paragraph 26 you refer to the
22 investment in the trucking industry, and you give
23 figures for gross investment per firm and gross invest-
24 ment per employee. How many employees are there in the
25 trucking industry?

26 MR. MAGEE: We have estimated approximately
27 seventy thousand.

28 Q. Seventy thousand as being directly em-
29 ployed in the industry?

30 MR. MAGEE: Directly employed, yes.



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2 Q. When was that estimate made, Mr. Magee?

3 A. I think that estimate was made for the
4 Gordon Commission a few years ago.

5 Q. That figure would, perhaps, change?

6 MR. MAGEE: And this is the for-hire trucking
7 industry that I am talking about, the intercity for-hire
8 trucking industry, and I am not including local cartage
9 or private carriers. If you would be interested in an
10 estimate and the basis of it, we could supply it, and
11 would be glad to. I haven't it here with me.

12 Q. Thank you. At page 3.10, paragraph 30,
13 you refer to the trucking industry as, in the long run,
14 being able to sell freight transport to the customer on
15 the basis of its service -- and often cost -- advantages.

16 The predominant factor is cost, is it not?
17 Does service enter into it in any significant degree?

18 MR. MAGEE: There again it is hard to -- yes,
19 cost is a very important factor, but it is hard to give
20 any answer of national application to a question like that
21 as to which is the most important factor. Both forces,
22 service and cost, are important. Sometimes the service
23 advantages may outweigh the cost.

24 Q. That would be the exception rather than the
25 rule. I would estimate cost is the dominant factor by
26 a very good margin, or is that right?

27 MR. MAGEE: Yes, it is one of the important
28 factors.



1
2 Q. One of the important factors, perhaps we
3 can say the most important factor?

4 MR. MAGEE: I will say one of the more im-
5 portant factors.

6 Q. Page 3.11, paragraph 33 -- you refer there
7 to backhaul rates. Now, how do backhaul rates compare
8 with normal rates? What is the basis on which backhaul
9 rates are arrived at?

10 MR. MAGEE: I am not a rate -- I am not a
11 traffic person in the trucking industry, but the question
12 of the return haul is, of course, a very important one
13 to the trucking industry, to trucking firms. It comes
14 down to the matter of getting something into the truck
15 that will produce some contribution to cost and allow
16 the truck to go back to destination with a load rather
17 than empty.

18 Q. Well, I would presume that the backhaul
19 rate would perhaps be merely enough to cover pure out-
20 of-pocket expenses, gas and oil; would that be right?
21 The driver's wages?

22 MR. MAGEE: Yes, that may be the situation
23 in regard to many backhaul rates. I should qualify
24 that by saying that rates are regulated in four of the
25 provinces and that also has a bearing on the question of
26 backhaul rates.

27 Q. I think you have already mentioned those
28 provinces in which rates are regulated but perhaps you
29 could give them again now?

30 MR. MAGEE: Quebec, Manitoba, Saskatchewan



1
2 and British Columbia, intra-provincial rate regulation
3 and courtesy extra-provincial rate regulation out of
4 Quebec. I cannot put it any differently than that,
5 courtesy observance.

6 Q. Paragraph 37, on page 3.12; you refer to
7 the impact of railway competition on the groups to which
8 you previously referred:

9 "This does not imply that a trucking firm
10 or a group of firms, which is not too much affected
11 by railway competition, is not affected by it
12 indirectly."

13 Then you go on to say:

14 "Furthermore, the economics of trucking firms
15 is such that different lines of business are often
16 complementary, one line of activity using the same
17 facilities as another."

18 Now, can you give any examples of the indirect
19 effects on railway competition?

20 MR. MONTAGUE: I wonder if the rest of our
21 paragraph does not explain what we are getting at?

22 Q. Perhaps it does, perhaps you might enlarge
23 on that.

24 MR. MONTAGUE: I will read it and then enlarge
25 on it.

26 "Therefore a decline in traffic volume in
27 a 'competitive' line may have very profound effects
28 on costs -- and ability -- of handling 'non-
29 competitive' traffic. These facts which are true
30 of railway enterprises, apply also to large sections



1
2 of the trucking industry."

3 This is the problem of the backhaul. These
4 services are complementary. In other words, it is a
5 problem related to the backhaul. If we develop a
6 traffic from X to Y then we look around for traffic to
7 go back again, and those two traffics are complementary,
8 they are related. If we are affected on the rates in
9 regard to one traffic it may be we will have to adjust
10 by taking a lift on the rates that we charge for the
11 other traffic. It is the same problem the railways
12 are up against in regard to competitive and non-
13 competitive rates. This is my explanation of what
14 we mean here. We develop the service and we will have
15 a prime service, perhaps there will be a complementary
16 service to that, something that goes along with it. It
17 may be a complementary, it may be the haulage of less
18 than truckload freight, and it is a complementary
19 service, and we are enabled to carry it on because of
20 the prime service, and, in fact, what happens to the
21 prime service will thereupon affect our ability to
22 compete, so that it is a complementary service.

23 Q. In effect, the prime service will indi-
24 rectly affect the complementary service?

25 MR. MONTAGUE: That is correct.

26 Q. I want to turn to page 3.14, and you
27 refer there in paragraph 41, the second last sentence
28 in the paragraph:

29 "It is most doubtful whether, without the
30 support from other traffics, less than truckload



1 traffic could be handled at the current level
2 of rates. In other words, if less than
3 truckload traffic is forced to become the main,
4 or even the only, source of traffic for trucking
5 companies, and if it had to carry the full burden
6 of terminal, sales and administrative costs, a
7 sharp increase of rates would have to follow,
8 which would affect adversely the customers least
9 able to switch to other modes of transport."
10

11 That raises in my mind the question of fixing
12 of rates in the trucking industry. Is there any inter-
13 nal subsidization within the trucking industry in the
14 matter of rates?

15 MR. MAGEE: I think that it is inevitable
16 that there is, Mr. Cooper, cost subsidization, one traffic
17 carrying another traffic.

18 Q. One traffic carrying another traffic?

19 MR. MAGEE: Yes. A truck operator may haul
20 several different types of traffic for one account and
21 it may be mandatory for business reasons for him to haul
22 some traffic which is not a very lucrative source of
23 revenue in order to solidify his public relations with
24 the shipper. I am sure we can find instances of where
25 there are actual truck lines, some part of a trucking
26 enterprise or system, which are not paying -- one seg-
27 ment, a branch line, if you like, because it has to be
28 maintained as part of the overall system.

29 Q. You really have, then, am I correct in
30 saying, it is a value of service principle in rate making



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2 in the trucking industry as there is in the railway
3 industry?

4 MR. MAGEE: Oh, very definitely. There is
5 value there as well as cost, and we would be most upset
6 to see it changed.

7 Q. On page 3.15, and perhaps this question
8 is unnecessary, but you do refer to standardized traffic.
9 You might indicate what standardized traffic is. It
10 is at page 3.15, paragraph 46:

11 "The most competitive field is the market
12 for standardized traffic on medium and long hauls
13 over heavy traffic routes."

14 MR. MAGEE: Well, that would be, for instance,
15 manufactured articles, sem-finished manufactured products.

16 Q. You contrast that with bulk operators in
17 paragraph 45, the preceding paragraph?

18 MR. HUME: I think, Mr. Chairman, the brief
19 up to that time concerns itself with specialty carriers
20 who are not necessarily bulk operators; usually they are,
21 but I think it is more concerned with specialty carriers
22 than bulk operators.

23 MR. COOPER: Q. I wish now to turn to the
24 next section which is section 4, dealing with the truck
25 competition and the railway.

26 THE CHAIRMAN: Perhaps we will go into that
27 after lunch. I think Mr. Mauro and Mr. Smith are here
28 and they may want to speak to the objection of Mr.
29 Sinclair at two o'clock.

30 MR. HUME: Could I find out if they are for



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Magee, Montague, cr-ex
(Cooper)

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or against?

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MR. SINCLAIR: Wait till you hear them.

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---Luncheon adjournment.

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2 THE CHAIRMAN: Mr. Hume?

3 MR. HUME: Mr. Chairman, I am assuming that
4 my learned friends other than Mr. Sinclair and
5 Mr. McDonald are not supporting the motion, otherwise
6 I think I should have an opportunity of answering all
7 who are opposing, and before I proceed I would like to
8 know what the position is.

9 THE CHAIRMAN: Mr. Mauro? Mr. Smith?

10 MR. SMITH: No, I am not opposing.

11 MR. SINCLAIR: Mr. Mauro isn't here.

12 MR. SMITH: I am not either opposing or
13 supporting.

14 MR. SINCLAIR: I don't know what Mr. Mauro's
15 position is. Mr. McDonald's position is on record.

16 MR. HUME: However, I will commence, Mr. Chair-
17 man. Mr. Mauro isn't here and he knew that it was
18 coming on at 2 o'clock.

19 Now, Mr. Chairman, I have procured from the
20 reporter the transcript of my learned friend's remarks
21 this morning, and I have taken the lunch hour and
22 attempted to review those and to make what I hope will
23 be a helpful submission to you, Mr. Chairman, and the
24 Commissioners.

25 I divide it into two very brief segments.
26 My first comments - perhaps, Mr. Mauro now being here,
27 he could indicate what position he is taking on this
28 motion.

29 MR. SINCLAIR: It is an objection; it is
30 an objection as to admissibility of evidence.

THE CHAIRMAN: Mr. Mauro, do you wish to be



1
2 heard on this?

3 MR. MAURO: I think I will say something,
4 Mr. Chairman.

5 MR. HUME: Perhaps Mr. Mauro doesn't under-
6 stand. I take the position that I should be able to
7 answer all counsel on the objection.

8 MR. MAURO: I will never be taken as supporting
9 Mr. Sinclair.

10 MR. HUME: Mr. Chairman, I propose to deal
11 very briefly with the terms of the order in council
12 P. C. 59-577 and relate my very brief observations with
13 relation to Mr. Sinclair's remarks, and that will con-
clude my presentation.

14 First of all, I have had the advantage of
15 reading Mr. Sinclair's remarks. He submits that the
16 order in council does not give this Commission jurisdiction
17 to entertain a submission on behalf of the Canadian
18 Trucking Associations with respect to a proposed new
highway transport act, and says:

19 "This order in council does not vest in this
20 Commission, in my submission, respectfully, juris-
21 diction to inquire into transportation in Canada;
22 it restricts it to an inquiry into railway trans-
23 portation in Canada and matters relating thereto."

24 Mr. Chairman, it is my respectful submission
25 that that is exactly what this order in council does not
26 do. I tried to get Maxwell's interpretation in the
27 library, but someone is using it, but I think I can
28 safely that it is one of the best maxims to take the
29 simple plain English meaning of the words if the document
30 is in English, and take the simple plain French meaning



1
2 if the document is in French. This order doesn't appoint
3 commissioners under Part I to inquire into and report
4 upon railway transportation in Canada; it requires them
5 to inquire into and report upon the problems relating
6 to railway transportation in Canada, and the important
7 word in that injunction is the word "problems", not
8 "railway". If there is any doubt about the importance
9 of that word "problems", the concluding phrase of the
10 enjoinder refers to the causes thereof, and causes can
11 only relate to the problems.

12 So my first respectful submission is that this
13 Commission is required and appointed and requested to
14 inquire into and report upon the problems relating to
15 railway transportation, not to railway transportation,
16 as my friend said at page 10750 of the transcript.

17 Then you gentlemen are enjoined in particular
18 - and if there is any doubt about whether or not the
19 above problems are general, the order in council goes
20 on in its customary language to advise you that, without
21 in any way restricting the generality of this inquiry
22 into these problems, you shall consider certain things.

23 So my first proposition is that it is not a
24 railway inquiry, it is an inquiry into problems relating
25 thereto, and the words "problems" and "relating" are,
26 I submit, very important words. But if you are not
27 convinced by my interpretation of the simple plain
28 English meaning of "the problems relating to railway
29 transportation", I take considerable comfort from sub-
30 paragraph (e) where it says that without restricting
the generality of the aforesaid words you may inquire



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2 into and you, in fact, shall consider and report upon
3 such matters as the Commissioners consider pertinent
4 or relevant to the specific general scope of the inquiry.
5 There are some important words in that paragraph. In
6 the first place, the matters have got to be related.
7 Related to what? I answer my own question by submitting
8 that it is relating to problems relating to railway
9 transportation and as long as those matters are related
10 and as long as you consider them pertinent or relevant,
11 you certainly have jurisdiction to go into them. I
12 make this submission, that if everybody in Canada except
13 you five gentlemen were of the opinion that what we are
14 talking about here was not either pertinent or relevant,
15 and out of the 17 odd million people you were the
16 only five who were of the opinion that it was pertinent
17 or relevant, then I say that the order in council gives
18 you jurisdiction, in fact, requires you to enquire into
19 these matters.

20 So my second submission is that not only are
21 you to inquire into railway transportation, you are to
22 inquire into the problems of railway transportation which
23 is a very, very broad term of reference, and as long as
24 you consider under the terms of this subparagraph (e)
25 that some other matters may be related -- and I don't
26 have to labour the meaning of the word "related" or the
27 word "pertinent", but whether I agree or someone else
28 agrees as to whether it is pertinent or relevant, if
29 you gentlemen decide it is, you certainly have juris-
30 diction.

In support of his objection, Mr. Sinclair first



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2 of all makes the point, as I have mentioned in introduction,
3 that what you are supposed to do under this order in
4 council - he says you are not to inquire into transportation
5 in Canada; I say that is what you are required to do,
6 and he says it restricts your inquiry into railways;
7 I say it does not. It may restrict it to some problems
8 in transportation, but those problems can be many and
9 manifest. He says that trucking problems don't relate
10 to transportation. I have been under the impression
11 these last 58 or 59 days that one of the problems to which
12 the railways referred was the loss of revenue due to the
13 impact of truck competition, and I think in the words
14 of the former chairman of this Commission, I think his
15 words were, on the question as to whether trucks were
16 involved, something to the effect that "you are very much
17 in this inquiry".

18 So I submit that these problems do relate
19 to the problems of railway transportation.

20 Then there was introduced a suggestion that
21 you, by some magic, if the railways had introduced a 300-
22 mile limit, that magic would have permitted you to
23 consider this draft highway act. I cannot follow the
24 argument. I can merely say that under the submission I
25 have made I don't need to address any remarks on it.
26 If the railways had introduced such a submission, you
27 would have considered it and in due course made such
28 recommendation you considered pertinent upon it, but
29 you would not have made any reference per se as to whether
30 you should or should not entertain any submission relating
to an improved transport system in this country. My



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2 friend, Mr. Sinclair, said that until the railways do
3 introduce a 300-mile consideration we cannot ask the
4 Commission to deal with highway transportation.

5 This draft act covers buses; I am well aware
6 of that. I think this covers important segments in
7 relation to highway transportation in Canada, and if
8 the bus people want to come here and make a submission -
9 and I hope they do; I hope they give this Commission the
10 benefit of their views - but whether they do or don't,
11 I don't think that has any relevancy as to whether or
12 not the Commission has any power to consider the sub-
mission made in this respect.

13 Then my learned friend pointed out that you
14 made a ruling on collective bargaining. You have made
15 your decision on that and I make no comment on it.
16 But I suggest as a sort of a red herring he introduced
17 the question of liquor, I think with the idea that
18 there was some similarity between the consideration of
19 highway transport legislation and the consideration
20 of the matter of serving liquor on trains, and I say if
21 this is a problem of railway transportation and it is
22 related and it is relevant or pertinent, that you can
well consider and make recommendations as to liquor on
trains.

23 THE CHAIRMAN: Or airplanes.

24 MR. HUME: Yes, or any matter dealing with
25 the problem of railway transportation. I think my
26 friend reads the order in council as if the word "problems"
27 was not in the order in council.

28 Then he says with regard to this matter of
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2 trucking that it is a matter of provincial jurisdiction.
3 Well, of course, Mr. Chairman, that is a very broad
4 statement, and I don't think my friend meant it quite the
5 way it reads and sounds. This draft act that we have
6 submitted has nothing to do with that aspect of the
7 trucking industry which is within the exclusive juris-
8 diction of the legislature of the provinces. But as
9 to its being a matter of provincial jurisdiction, you
10 will remember this point at Section 10, page 12, which
11 says that one-third of the industry's ton miles, and
12 one-fifth of the industry's revenues, comes from inter-
13 provincial and international freight carriers, and this
14 is a larger and more increasing segment, and that is the
15 reason why Canadian Trucking Associations submits with
16 respect that not only is the order in council wide
17 enough to consider it, but, in our humble submission,
18 this matter is probably one of the most important things
19 that the Commission might settle.

20 I have completed my submission, except that
21 I would like to say one thing. I mention this at this
22 time in order that this sort of thing won't happen again.
23 I consider it personally unfortunate that I wasn't
24 advised except at the last minute - after all, our
25 brief has been filed for 15 days - to give me an oppor-
26 tunity of preparing an argument. I presume there must
27 have been a very good reason, because, as the Commission
28 will know, I wrote my friend, Mr. Sinclair, a letter
29 and told him it was coming up. No doubt there was a very
30 good reason I wasn't told, but I make my submission that
not only do the terms of reference include this as a



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2 problem of railway transportation, but if you have any
3 doubt about it being a problem, you can certainly decide
4 under subsection (e) that it is a related matter and
5 pertinent or relevant, and I suggest it is both.

6 MR. MAURO: I neither oppose nor support the
7 request. I simply rise to place on record the comments
8 of the province referring to the matter of the juris-
9 diction of this Commission, and I suggest that the one
10 factor this Commission must answer is the simple question:
11 Does highway transportation represent a problem in the
12 over-all picture of rail transportation in Canada?
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15 (Page 10855 follows)
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2 If this Commission decides that transportation
3 by highway is not a problem relating to railway trans-
4 portation, then I suggest that the matter submitted
5 by the Trucking Associations is irrelevant.

6 If you decide as a Commission that transpor-
7 tation by highway in Canada is a problem relating to
8 rail transportation, then I suggest that you not only
9 have the right but the duty to look into the problem.
10 I think the decision, frankly, rests with this Com-
11 mission, as determined in the Order in Council, whether
12 or not highway transportation is a problem.

13 MR. SMITH: I merely wish to state that I am
14 not taking part in this application.

15 MR. SINCLAIR: Now, Mr. Chairman and members
16 of the Commission, I think my friend Mr. Hume arranged
17 with the reporter to get a transcript of my remarks
18 to the Commission, and he has handed them to me now.

19 So that there would be no misunderstanding
20 about this -- what he calls the magic 300 miles --
21 my submission this morning was in this language, "If
22 the railways had proposed that to deal with the railway
23 problem it was necessary to restrict common carrier
24 trucking to a limit of 300 miles, with the railways,
25 if they had -- this is hypothetical, of course -- if
26 they said that was the economic range on the trucking,
27 purely and correctly, then, of course, the Commission
28 would want to hear what the truckers said about any
29 limitation that the railways were proposing to put on
30 the trucking industry to deal with railway transportation."



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2 And I thought I had made it clear that the objection
3 that I made to the Commission this morning, Mr. Chairman
4 and Commissioners, was that this Commission had no
5 jurisdiction to deal with trucking problems, the
6 problems of the trucking industry. I haven't had a
7 chance to read this all through, and if I didn't say
8 that I certainly ---

9 THE CHAIRMAN: Are they interdependent?

10 MR. SINCLAIR: Inderdependent? I would say,
11 Mr. Chairman, that transportation, inter-mode trans-
12 portation can and does meet certain problems, and,
13 indeed, as the Commission knows, we in Canadian Pacific
14 are providing an integrated transportation situation
15 in British Columbia, and we gave evidence on that -- I
16 think Mr. Crump did -- but my point is this, that the
17 Act to which I took objection is an Act dealing with
18 problems of the trucking industry; that is my first
19 point.

20 My second point was that it introduced con-
21 stitutional questions of limitation and that it was
22 going beyond the jurisdiction of this Commission. And,
23 indeed, I intend -- and I hope that the Commission is
24 going to take this into account -- to ask certain
25 questions of the witness who would point this up.

26 I told my friend about this a number of days
27 ago, and this has to do with forwarders and the attempt
28 to regulate forwarders, which as of now are provincially
29 regulated by the Province of Quebec and other provinces.

30 Certainly I agree that the jurisdiction of the



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2 Commission relates to problems of railway transportation,
3 but it does not relate to problems of trucking trans-
4 portation or problems of air transportation.

5 You, sir, said that you would have jurisdiction
6 over the question of whether liquor should be sold on
7 aeroplanes. I say that is wrong, with respect, sir --
8 with great respect -- because whether they do or not
9 you would then have to bring it in by saying that the
10 problem of railway transportation was brought about by
11 the fact that they were or were not selling liquor on
12 aeroplanes.

13 THE CHAIRMAN: I was only referring to a situa-
14 tion which I thought was out in Vancouver.

15 MR. SINCLAIR: That has nothing to do with
16 the clients I represent, because I think what you have in
17 mind ---

18 THE CHAIRMAN: The red carpet.

19
20 MR. SINCLAIR: We never have had a red carpet,
21 but the point that I think we are dealing with here, Mr.
22 Chairman, is this, that in so far as there is a problem
23 that affects railways brought about by trucking, that is
24 within your jurisdiction, but the railways, as far as
25 I know, have made no submission to it. If you are,
26 "on your own motion", you are going to say there is
27 this problem, but that, of course, is a different matter,
28 but the railways have not said that trucks are a problem
29 relating to railway transportation, but that doesn't
30 preclude the Commission, of course, from saying it



1 themselves.

2
3 We have said what we do to meet competition,
4 and we have some -- as I answered Commissioner Mann --
5 some recommendations to make, but let me go to the
6 suggestion of my friend who, I am sure, had difficulty
7 in dealing with this first submission which he made.

8 His second submission, I submit, is clearly
9 wrong, and he said that if you five gentlemen decided
10 of all the seventeen million people in Canada that this
11 bill was a bill dealing with a problem relating to
12 railway transportation, and the other sixteen million-
13 odd felt that it was a matter dealing with the problem
14 of trucking, that that would bring it within your
15 jurisdiction.

16 Now, this is the oldest suggestion that I have
17 -- it has been dissipated so many times in leading cases,
18 that no Commission, no administrative tribunal or no
19 Commission has a right to extend its jurisdiction by its
20 own decision, and that is exactly the submission that
21 my friend put to you, and he says that the language of
22 E gives you an untrammelled right to investigate any
23 part of any type of activity in Canada that you decide
24 is a problem relating to railway transportation. This,
25 I say, is clearly wrong; that what you have to do is
26 as a fact say it is a problem relating to railway
27 transportation, and if it is, then your discretion must
28 be exercised judicially.

29 THE CHAIRMAN: Would you say that one of the
30 problems relating to railway transportation or the



1 problems relating to railway transportation were caused
2 by the development of trucks?

3
4 MR. SINCLAIR: No, sir, I wouldn't say that.
5 I would say that the problems relating to railway
6 transportation are caused, first, -- I thank Mr. Mauro
7 for bringing it to my attention -- by the statutory grain
8 rates. That is the problem.

9 Secondly, that because of changing travel
10 habits in the passenger field, there is this phasing out
11 by the railways, of which we will on direction of the
12 Commission, have something to say at a later time, but
13 that has nothing to do with the problems of the trucking
14 industry; that has to do with private automobiles and
15 aeroplanes and, to a minor degree, buses.

16 COMMISSIONER GOBEIL: What you mean is if the
17 Privy Council has asked us to study the problems of
18 transportation you wouldn't have said in the preamble,
19 "To proceed with all reasonable despatch into the
20 problems relating to highway transportation," you would
21 have said, "into the problems relating to railway trans-
22 portation"?

23 MR. SINCLAIR: That is why I drew the Com-
24 mission's attention to the distinction between the terms
25 of reference of this Commission and the Turgeon Commis-
26 sion, because in the Turgeon Commission of 1949-1950
27 it had to deal within the jurisdiction of Parliament
28 arising out of the operation and maintenance of national
29 transportation. The modifying words here are "railway
30 transportation". It is the problems, of course, of



1 railway transportation, or problems relating thereto.

2 My submission, sir, then, with respect to
3 E is that it cannot be used to extend your jurisdiction;
4 it cannot be used to extend your jurisdiction because
5 your jurisdiction is clearly delineated basically as
6 problems relating to railway transportation, and the
7 Bill that has been introduced deals with -- not intro-
8 duced, but advanced, because it is under my objection
9 -- deals with problems of the trucking industry, trucking
10 transportation.

11 That is my submission.

12 THE CHAIRMAN: We will reserve the point.

13 JOHN A. D. MAGEE, continued

14 MR. COOPER: Mr. Chairman, there seems to
15 be on the first page of the transcript of this morning's
16 proceedings, page 10750, the word "ability" which I
17 don't think is the word which was said, and I think
18 the record should be corrected now, perhaps. It is
19 line 11, and it reads, "as to the ability of this
20 Commission."

21 MR. SINCLAIR: I must say to my friend that
22 I think I am for that, because I of all people wouldn't
23 question the ability of this Commission, and I would
24 ask the reporter when he issues this to change that
25 word "ability" in the seventh line from the commence-
26 ment of my remarks, to the word "jurisdiction". It
27 will read, "as to the jurisdiction of this Commission
28 under the terms of its Order in Council which delineates
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2 its jurisdiction." I certainly am not questioning
3 the ability of this Commission, not in regard to their
4 ability in this field or in numerous other fields which
5 I could mention but will not.

6 THE CHAIRMAN: Thank you.

7 CROSS-EXAMINATION BY MR. COOPER (Cont'd):

8 Q. Mr. Magee, when we adjourned for luncheon
9 I had reached the point where I was about to ask some
10 questions respecting section 4 of the submission, and
11 I direct your attention to page 4.2 and a table which
12 appears at the top of the page. Perhaps this question
13 should be directed to Mr. Montague rather than to your-
14 self.

15 I should like to know if the number of revenue
16 ton miles involved in the total has been obtained from
17 Railway Transport Part IV, 1958, on page 6. I presume
18 that is so.

19 MR. MONTAGUE: That is right.

20 Q. That being so, does it not then include
21 ton miles produced in the carriage of traffic to which
22 the percentage increases wouldn't apply?

23 MR. MONTAGUE: Could I perhaps go into our
24 origins here, and I have the Railway Transport statistics
25 relating to this, and their comment is, relating to
26 revenue, "Revenue from carriage by railways in Canada
27 including traffic interchanged between domestic carriers",
28 and I would presume, therefore, this would include the
29 carriage in Canada of international traffic. However,
30 we will actively be making inquiries of the Dominion



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2 Bureau of Statistics to find out whether or not this
3 is included or whether they may have made an exception.

4 Q. And the grain that Mr. Sinclair is asking
5 about?

6 MR. MONTAGUE: Yes.

7 Q. Now, I refer to your chart on page 4.2,
8 and I would like you just to explain how it happens that
9 the average revenue per ton mile exceeds the maximum
10 permissible level of rates in the years 1946, 1947 and
11 part at least of 1948; what factors are responsible for
12 this situation?

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18 (Page 10865 follows)
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2 MR. MONTAGUE: You must remember that the
3 average revenue per ton mile is a statistic prepared
4 by the Dominion Bureau of Statistics. The maximum level
5 of railway rates is a line which is simply compiled by
6 extending from a rate base one increase after another.
7 Therefore, I think we cannot expect that these lines
8 would react in exactly the same fashion. Remember that
9 we are only referring here to an index, so that the
10 average revenue per ton mile -- we may have proved that
11 the railways during this period were able to increase the
12 rate on some traffic that was not travelling at the
13 maximum permissible rate. This would lift their
14 revenues; consequently, our average revenue per ton
15 mile would go up but it would have nothing to do with
16 coming to their ceiling, because a good portion of their
17 revenues are derived from traffic which does not go at
18 ceiling. It is shifts in the revenue from that traffic
19 which would give you increases or decreases in the two
20 trend lines. I think the remarkable thing is that they
21 follow so closely -- not that there are minor differences,
22 but they do move along so closely.

23 Q. Whatever factors are at work up to and
24 including part of 1948 are reflected also in the broken
25 line as it proceeds to 1958?

26 MR. MONTAGUE: That is correct, yes.

27 Q. I refer now to page 4.3, paragraph 9,
28 and the sentence there reading:

29 "In fact, the problem areas of the railways appear
30 to be in more in other fields, namely, passenger
traffic, grain movements and operation of those



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2 "parts of the system which are no longer patronized
3 by the public. The solutions to some of these
4 problems would be well in hand as a result of the
5 efforts of railway management if public policy was
6 more flexible in permitting modification of railway
7 services to the new patterns of public demand."

8 And then, again, in paragraph 10:

9 "The solution to these problems lies in the encourage-
10 ment of railway management to exercise their
11 judgment as to reorganization, and, when neces-
12 sary, curtailment of these services."

13 Has Canadian Trucking Associations any suggstions as to
14 legislative or other changes which might result in
15 greater flexibility for the railways, in allowing them
16 to modify railway services?

17 MR. MAGEE: We have none to put forward of our
18 own, Mr. Cooper. This is the view of the association,
19 and just a general expression of our viewpoint.
20 We understand the railways, themselves, are going to make
21 some submissions on these matters: We may then have
22 some comments that we will wish to put before the
23 Commission.

24 Q. But you have no specific suggestions at
25 the moment?

26 MR. MAGEE: Not at the present time, no.

27 Q. Paragraph 11 on page 4.4, you speak
28 there of psuedo-competitive rate practices, and I wanted
29 to know what you meant by that phrase which occurs in
30 the sentence, "the solution to the problem is not an
array of growing subsidies, restriction on the railways"



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2 competitors, or granting the railways the power to
3 monopolize traffic markets by psuedo-competitive rate
4 practices."

5 MR. MAGEE: Well, that would be a type of rate
6 that was ostensibly a competitive type of rate but really
7 had as its objective something more than meeting the
8 competition -- perhaps eliminating it.

9 Q. Are you referring to agreed charges in
10 this connection, or what?

11 MR. MAGEE: Not to agreed charges, across the
12 board. I would not want to give my answer in a way
13 that I would be quoted as saying we cover all agreed
14 charges with this statement.

15 Q. Perhaps only to agreed charges when over
16 50 per cent of the traffic is tied into the railways?

17 MR. MAGEE: That might follow, I think,
18 from our submission. It would cover some agreed charges,
19 I think, from our submission. It would cover some
20 agreed charges, some competitive rates.

21 Q. Page 4.5, Mr. Magee, paragraph 14:

22 "If it is assumed that the present picture is a
23 permanent one, and that no correction by free
24 economic forces is possible, certain courses of
25 action logically follow."

26 What are those courses of action which logically follow?
27 Have you in mind there government assistance, or what
28 courses of action?

29 MR. MAGEE: Well, we just didn't assume in
30 this submission that no corrective action by free --
let me put it this way: The correction by free economic



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2 forces, in our opinion, is possible and is happening,
3 and it is not possible for us to conceive that it cannot
4 continue to happen. This refers to the competition,
5 the growing competition of the trucks with the railways,
6 and, as we pointed out in this section of our submission,
7 that competition has produced a rate impact in regard to
8 railways that differs vastly from the situation which
9 existed in 1949 when, in fact, central Canada did --
10 or, so it appears, from our studies -- have a better
11 deal in railway freight rates because of the intensive
12 truck competition there than is the case now.

12 Q. But you have assumed in this sentence
13 that the present picture might be a permanent one, and
14 that no correction by free economic forces might be
15 possible, and then, that being the assumption, you have
16 referred to certain courses of action which would then
17 logically follow: Now, could you indicate what courses
18 of action would logically follow?

18 MR. MAGEE: If no correction by free economic
19 forces was possible, that is the correction that I say
20 on behalf of the association has been occurring since
21 1949 and is continuing to occur, then some other
22 solution than correction by free economic forces would be
23 necessary.

23 Q. What other solution or solutions?

24 MR. MAGEE: Well, one solution that has been
25 used is subsidies.

26 Q. That is the course of action which would
27 logically follow?

28 MR. MAGEE: Not necessarily, in our view, but
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2 that is one solution that has been used. Sometimes it
3 may be a subsidy and sometimes something else.

4 Q. A subsidy or subsidies would be a
5 logical result to follow that situation?

6 MR. MAGEE: That might be one result.

7 Q. In paragraph 17 on page 4.6 you refer to
8 the absence of an official index of railway rates:
9 In your opinion, should an official index of railway
10 rates be produced and maintained, or has the association
11 got any views on that point?

12 MR. MAGEE: Well, we have not formulated any
13 views on that point. I have a letter on the subject from
14 the Dominion Bureau of Statistics asking for our
15 views, but, because of the manner in which we have been
16 tied to our preparations for these hearings, we have
17 not had a chance to deal with it yet.

18 Q. I want to turn now to page 4.9, paragraph
19 30, where you state that the ton mile is the only measure
20 of the railways' or any other carrier's work which takes
21 into account both the volume of traffic moved and the
22 distance moved, and in terms of inter-carrier comparisons,
23 such a measurement contains many shortcomings, since it
24 does not take into account the route-length pattern
25 inherent in the carriers' operations nor quality-of-
26 service aspects: Would you mind indicating to the
27 Commission just what you mean by "route-length pattern
28 inherent to the carriers' operations."?

29 MR. MONTAGUE: By "route-length pattern"
30 we mean that you may have a particular carrier who is
engaged in a work which involves him in a long haul.



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2 I give you an example: Take an ore carrier carrying ore
3 over a long distance; he immediately builds up a very
4 high figure for ton miles because of the heavy commodity
5 and the long distance. If this measurement is applied
6 to him, it really distorts, we submit, his picture in
7 regard to the importance to the community or in regard
8 to his relative value of stature as compared with other
9 elements in the transport industry. So that, what
10 we are saying here is that there are carriers who, by
11 the very nature of their service, offer a very long haul
12 service or they offer a service which carries a bulk
13 commodity. Under the ton mile measurement, that carrier's
14 position will appear to be of great importance, whereas
15 there may be another carrier who carries an equally
16 important commodity to the community, and carries it
17 a short distance, and it may be a light commodity, and
18 this is his route pattern. His position is relatively
19 understated. Or, to give you a final example, we have
20 the carrier who carries it 1,000 miles, and this is his
21 portion of the service, but, equally important is the
22 carrier who then carries it 100 miles. It may be
23 the same commodity, and how do you evaluate the service
24 to the community of these two carriers? The ton mile
25 does tend to overstate certain positions, and it is
26 susceptible to overstating a route pattern that may be
27 a greater distance, and it is simply the nature of the
28 service this carrier is giving.

26 The second part of that question - "Quality
27 of service": We are getting at much the same point.



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2 For instance, what value is it to a customer of a
3 transport service that he have his commodity at such and
4 such a place at such and such a time, or what value is
5 it to the community or customer that he be able to phone
6 and direct a pickup of the commodity at such and such
7 a time, giving him great flexibility in terms of service
8 -- in terms of his ability to move his goods? This is
9 what we are getting at -- ton mile, as between different
10 carriers, cannot really indicate the correct -- it should
11 not be used as the sole measure of how important one
12 carrier is as against another.

13 Q. In terms of service to the economy?

14 MR. MONTAGUE: That is right.

15 Q. I presume it would never be possible to
16 get any measurement which would accurately reflect the
17 quality of service aspects -- statistically?

18 MR. MONTAGUE: Well, we have discussed this,
19 and I think we agree generally with what you are saying,
20 and we tried to show you a number of comparisons, as
21 we did in the previous section as to the relative
22 importance of the two major transport media in Canada
23 today. I should refer your earlier question to this
24 section 30: In section 30 we are saying, even within
25 our trucking industry there are certain carriers whose
26 ton mile position will be naturally very high, but we
27 could not say this man was more important to the industry
28 or his contribution any greater, because it may be his
29 pattern of service, and his route pattern is such that he
30 naturally builds up a very high ton mile figure,
whereas some other, who makes an equally heavy contribution



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2 and, say, carries general merchandise, his ton mile
3 figure would be much lower. We are trying to illustrate
4 that, even within the industry, there are limitations;
5 but, as we go on, we feel that it still is the best
6 measurement available.
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12 (Page 10875 follows)
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1 Q. Thank you, Mr. Montague.

2 I turn now to the table 4.11b and I notice
3 that the figures for 1951 insofar as they consist of
4 the figures entered for "Canada, all regions", are
5 based on a three-day sample in 1951. Why not the
6 four-day sample for that year?

7 MR. MONTAGUE: Well, this is an answer I
8 should give; this will be explained in the Waybill
9 Analysis and if you would like to go on with your cross-
10 examination I will prepare an answer for that.

11 Q. Do the revenue per ton mile figures
12 shown on 4.11b relate only to revenues received from
13 traffic subject to Canadian rate increases?

14 MR. MONTAGUE: It is limited to traffic as
15 defined in the Waybill Analysis and I understand that
16 traffic is limited to Canadian traffic. I stand to be
17 corrected there, but our source here is the Waybill
18 Study, and I think it is limited to Canadian traffic.

19 Q. Solely a waybill figure, whatever that
20 shows?

21 MR. MONTAGUE: Yes.

22 Q. I am going to move on now to page 4.17,
23 paragraph 54. Perhaps this question has been raised
24 before, but you mention in paragraph 54 the possibility
25 of corrective action by the government for regional
26 assistance or assistance to certain regions, and you
27 say:

28 "If this is the case, any programme of
29 regional or sectional assistance should be
30 implemented in such a way as not to disturb the



1
2 workings of natural competitive forces."

3 How can this best be done?

4 MR. MAGEE: Well, it is difficult to -- it
5 has to do with subsidization and to deal with different
6 types of subsidy that now exist in Canada for the
7 railway you cannot put them all on the same basis. In
8 our opinion, they must all be paid, for instance, to the
9 shipper. You have to take each problem as it arises
10 and assess the particular circumstances there, but we
11 do say that if you single out one form of transportation
12 in a competitive transportation environment and select
13 it as a designed instrument for subsidization for the
14 federal government, then you are disturbing the workings
15 of natural competitive forces.

16 Q. That leads on to section 5, the subsidy
17 problem. I turn first to paragraph 8 of that section
18 on page 5.4, where you state:

19 "Subsidy can be justified but only when it
20 is the sole means of implementing a policy which
21 is in the public interest."

22 Now, that is your condition for the payment of a subsidy;
23 is that right?

24 MR. MAGEE: That is correct.

25 Q. Now, as to the method of payment, do I
26 understand the position of the Canadian Trucking Associa-
27 tions generally with respect to this question to be this:
28 if it is necessary to pay subsidies they should never be
29 paid to one carrier to the exclusion of other competing
30 carriers and should, wherever possible, be paid not to



1
2 carriers but to the shippers?

3 MR. MAGEE: Yes, I think that generally sum-
4 marizes our position very well.

5 Q. I am attempting in putting this question
6 to you, Mr. Magee, to summarize for the benefit of the
7 Commission as clearly as I can your position on the
8 subsidy problem and particularly as to payment of sub-
9 sidies as contained in section 5. I should be much
10 obliged if you would tell me if I have stated it cor-
11 rectly?

12 MR. MAGEE: Yes, I certainly think that is a
13 correct summary of our position.

14 Q. You go on in that section to discuss
15 principles of subsidy policy and you state that a subsidy
16 should be self-liquidating. Does this mean that a
17 subsidy should never be granted except for a limited
18 period of time, or should never be granted except in
19 amounts which are declining from year to year, or just
20 what do you have in mind by the use of self-liquidating
21 principles in addition to what you have said about it
22 in the subparagraph?

23 MR. MAGEE: Yes, I think it is really tied in
24 with No. 2 of that part on page 5.5 where we say that
25 the subject should always be subject to review. We think
26 that where subsidies exist in transportation they should
27 be checked periodically to make sure that the problems
28 either do exist and the subsidy is still necessary, or
29 perhaps the problem has been alleviated and the subsidy
30 can be removed all or in part.



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2 Q. Well, perhaps 1 and 2 subparagraphs
3 could be combined by saying that a subsidy should always
4 be subject to review with the object of its elimination?

5 MR. MAGEE: Perhaps Mr. Montague would like
6 to comment on that.

7 MR. MONTAGUE: Yes, I would like to comment
8 on that. What you say is correct but I do not want to
9 create the impression that we operate without the idea
10 of a subsidy being self-liquidating. I think we have
11 missed one of the points we were driving at in regard to
12 that statement.

13 A self-liquidating subsidy is a subsidy that
14 is corrective, that over a period of time may improve
15 the situation which commanded that the subsidy be brought
16 into creation. An example of a self-liquidating subsidy
17 could be a subsidy, for instance, if you gave a subsidy
18 to improve railway plant. Now, that is a subsidy which
19 would be self-liquidating in that by improving the plant
20 you would improve the efficiency of that railroad and
21 you would be generally attacking the problem which brought
22 on the need for the subsidy, whereas if you simply apply
23 a subsidy to rates you leave a status quo, so far as
24 the industry is concerned you leave it intact and there
25 is no attempt at a corrective change. So, a self-
26 liquidating subsidy in our minds is any subsidy which is
27 directed to curing an ill. It would be a subsidy, per-
28 haps, to assist industry in a particular area, to assist
29 the improvement of plant or a subsidy to improve a road
30 programme. All these things actually assist the



1 amelioration of the situation which brought about the
2 subsidy in the first place.
3

4 Q. Do I understand that the subsidy to meet
5 with your standards should always be of that type, self-
6 liquidating?

7 MR. MONTAGUE: We think this should be a first
8 rule in looking at a subsidy. We are assuming that a
9 subsidy, or a need for a subsidy, is brought on by a
10 particular situation. What we are saying is, the subsidy
11 you design to cure that situation should always have
12 in its mind or should have in the minds of its creators,
13 "What are we doing here? Are we in fact improving
14 the situation by this payment? Are we in fact improving
15 the plant equipment or the efficiency of the general
16 operation?" I do not want to limit it simply to the
17 question of efficiency; it is a question of curing the
18 ill in a permanent fashion and how much preferable in
19 our mind it is to make a single payment to improvement of
20 plant or equipment, or what have you, rather than pay
21 an annual payment to hold the rate down. This is the
22 point we are driving at.

23 To refer to your question, it should be the
24 first consideration, "Is this subsidy in fact designed
25 to cure the ill", and if in fact you find you cannot
26 define a subsidy in this fashion then you must go on and
27 attempt to approach it from a different point of view.

28 Q. Commencing at page 5.5 you make an examina-
29 tion of the existing truck subsidies in Canadian transpor-
30 tation and the first subsidy which is examined is the



1 Maritime Freight Rates Act subsidy. I want to get it
2 clearly on the record the position of the Canadian
3 Trucking Associations as succinctly as I can with respect
4 to the Maritime Freight Rates Act. Do I understand the
5 position of the Canadian Trucking Associations on this
6 point to be this, that the Maritime Freight Rates Act
7 should be amended to include movements within and from
8 the select territory by for-hire intercity carriers?
9

10 MR. MAGEL: That is correct.

11 Q. That is your submission with regard to
12 the Maritime Freight Rates Act?

13 MR. MAGEE: That is correct.

14 Q. You mention on page 5.11 in paragraph 23:

15 "There may be several reasons for the state
16 of the trucking industry in the maritimes."
17 This, as revealed by the table preceding paragraph 23
18 is not in as flourishing a condition as in some other
19 provinces:

20 "Undoubtedly, road conditions, industrial and
21 commercial development and density of population
22 are important factors."

23 How significant a factor is road conditions, and I include
24 in that bridges and road conditions generally in the
25 maritimes throughout the area?

26 MR. MAGEE: Well, the road conditions were a
27 much more significant factor in the past than they are
28 now. The road conditions have improved a great deal;
29 there has been a very substantial improvement in road
30 conditions in the maritimes. I cannot give you a



1 percentage allocation of it as a factor here.

2
3 Q. Well, I am not asking for any percentage
4 allocation but I wanted to know whether the Associations
5 in its inquiries into this matter find that the road
6 conditions generally there are significantly below the
7 road conditions in other provinces in so far as trucking
8 operations are concerned so it restricts the operation
9 of the trucking industry in the maritimes to a degree
10 significantly greater than any restrictions in other
11 provinces.

12 MR. MAGEE: I do not think I am well versed
13 enough in bridge problems and policies and weight
14 limitations and what not to go beyond what I have said.

15 Q. On page 5.14, paragraph 32, you are deal-
16 ing there, or you mention a small group of intra-provin-
17 cial firms in the trucking industry whose movement of
18 a commodity has long been aided by a federal government
19 subsidy paid to the shipper. What group is this, and
20 what is the commodity involved?

21 A. Those are the truckers hauling feed grain
22 in the Province of Ontario. Mr. Montague may have
23 something to add to this, but I perhaps should point out
24 that our reference here is not citing the feed grain
25 subsidy as a precedent for federal subsidization of truc-
26 kers because that feed grain subsidy might end tomorrow
27 so far as we know. It is carried on by order in council.
28 We only raise the point to answer the interdepartmental
29 committee's belief that a problem of jurisdiction would
30 arise in extending the maritime freight rate subsidy



1 to truckers. Now, we assume that there will be no
2 jurisdiction problem in their mind in regard to inter-
3 provincial truckers, and we feel that what the inter-
4 departmental committee must be worried about was intra-
5 provincial truckers, and we, for that reason, mention
6 this group of interprovincial truckers in the Province
7 of Ontario who indirectly are the subject of this
8 subsidy which is paid to the shipper.
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10 Q. You go on next to the bridge subsidy.

11 THE CHAIRMAN: Perhaps this would be a good
12 time for a short recess.
13

14 ---Short recess.
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20 (Page 10895 follows)
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2 Q. Mr. Magee, on page 5.14 and succeeding
3 pages, your submission deals with the bridge subsidy,
4 and, as in the case of the other subsidies to which I have
5 referred, I should like to get the position clearly on
6 the record of the Canadian Trucking Associations with
7 respect to this subsidy.

8 Does Canadian Trucking Associations recommend
9 the abolition of the bridge subsidy?

10 MR. MAGEE: We haven't actually recommended
11 its abolition. We haven't been able to convince
12 ourselves that it is a very valuable subsidy, and it
13 seems to be developing some problems which concern
14 us. The Board of Transport Commissioners so far has
15 kept the rate reductions confined to non-competitive
16 rates of the railways, although, as I understand the
17 section of the Railway Act which covers the bridge
18 subsidy, they could, in administering the subsidy, apply
19 to competitive rates and agreed charges. They haven't
20 done that yet, but if the non-competitive traffic grows
21 smaller, and they have \$7 million to deal with, it
22 is going to create some pressures in regard to the
23 expenditure of that \$7 million. There may be some
24 very undesirable results for the east-west trucking firms
25 in that the Board may have to consider, as long as the
26 subsidy remains in its present form, confined to the
27 railways, whether they are going to subsidize the agreed
28 charges or make the subsidy payable on agreed charges and
29 competitive rates.
30

31 Q. But as the subsidy now is applicable only
32 with respect to non-competitive rates, what adverse effect
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2 does it have on the trucking industry?

3 MR. MAGEE: Well, our position is that there
4 is no such thing as a static non-competitive rate segment
5 of the railway rate structure; it is constantly decreasing
6 under the impact of truck competition. As the railways
7 substitute competitive rates and agreed charges for the
8 non-competitive rates, and so we say in our brief, and
9 it is our position, Mr. Cooper, that all traffic, even
10 if it is being hauled today under non-competitive rates,
11 is potentially competitive, and therefore the payment
12 of the subsidy on that traffic and the movement of that
13 traffic, freight rate reduction subsidy, is of concern
14 to the trucking industry.

15 Q. In other words, if I understand you
16 correctly, your position is that any non-competitive
17 traffic which is subsidized might become truck traffic
18 if the subsidy were abolished?

19 MR. MAGEE: That could happen, yes.

20 Q. That is your position with respect to the
21 bridge subsidy, that that non-competitive traffic, if
22 the subsidy were removed, might become available to the
23 trucking industry?

24 MR. MAGEE: Yes; and we believe that in Canada
25 under our free enterprise system it should be available to
26 the existing competitive forms of transportation.

27 Q. On page 5.16 and the following pages you
28 deal with the Freight Rates Reduction Act, and in
29 paragraph 36, you refer to the effect which the Freight
30 Rates Reduction Act had on the trucking industry or on a
number of truck operators in the province of Quebec.



1
2 MR. MAGEE: Yes.

3 Q. And you mentioned that a number of truck
4 operators in that province experienced, from the subsidy,
5 a direct impact on their rate structure?

6 MR. MAGEE: Yes.

7 Q. How many operators in Quebec were affected
8 and what was the impact on their rate structure and the
9 severity of it?

10 MR. MAGEE: I can't give you the actual number
11 of operators and what effect, but I must say that here
12 I will answer your question a little further, but I am
13 in some difficulty because I discovered the other day
14 that my colleague Mr. Archambault was in Tokyo attending
15 the annual convention of the Japanese Trucking Association.

16 Q. Even in Japan?

17 MR. MAGEE: Even in Japan. So I have not been
18 able to assemble the information which I certainly expected
19 to have in answer to that question, and certainly we
20 expected to be asked the question. But there were truck
21 operators in Quebec, according to the report that we
22 received from our association there, who were hauling
23 traffic at the same rate level as the railway non-competitive
24 rates, and for some reason the railways have not dealt with
25 the truck competition or not recognized it by putting in
26 competitive rates, and when the subsidy went into effect
27 those rates were reduced, and quite naturally the truckers
28 felt that as a competitive impact.

29 Mr. Montague has received from Mr. Roy, who
30 appeared before the Commission in Quebec City, some
information which does not give the complete answer to



1
2 your question, and we certainly will get the remaining
3 information as quickly as we can, and I would ask
4 him if he would tell you what he has.

5 Q. Thank you.

6 MR. MONTAGUE: We have received a memorandum
7 which sets out the particular tariffs which the Quebec
8 Trucking Association claim have affected truckers.
9 Now, there is no information here as to the truckers
10 affected or as to what particular traffic under the
11 tariff was affected. However, the information we have
12 is available and it consists of a list of tariffs which
13 incurred the reduction as a result of subsidy and which
14 in turn caused the truckers moving the same commodities
15 to reduce these rates.

16 Q. Perhaps we will keep it this way, Mr. Magee,
17 that you will furnish such information to the Commission?

18 MR. MAGEE: Yes. I should make it clear
19 to the Commission that the statement is made on the
20 basis of a statement of information to Canadian Trucking
21 Associations by the trucking association of Quebec, and
22 I am sure that they will be able to supply the substantiat-
23 ing of the information.

24 MR. HUME: I wonder if I could ask my learned
25 friend, Mr. Cooper, if it would be convenient for him
26 to put on the record the extent of the information
27 requested, because I know from previous experience that
28 these things can get lost or missed, and if you would
29 give the particular information you require that would
30 greatly assist us in getting that information for you.

MR. COOPER: Well, first, the number of truck



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2 operators in the province of Quebec affected by the
3 situation outlined in paragraph 36 on page 5.16, and
4 the commodities concerned, and a statement as to the
5 losses sustained by those operators as a result of the
6 impact upon them of the rollback under the Freight Rates
Reduction Act.

7 MR. HUME: That will be very helpful.

8 MR. COOPER: Q. Now, you deal with the
9 proposed subsidization of the Crow's Nest Pass rates
10 commencing at 5.18, and I only want to put one or two
11 questions to you, Mr. Magee, with respect to this
12 section of your brief.

13 If the rates, that is the statutory rates,
14 for the movement of grain to export positions in western
15 Canada were doubled, could the trucking industry compete
16 with the railways for that traffic, or would they require
17 more than doubling before the traffic would become
18 competitive? There may be an answer in your paragraph
47, but I should like you to deal anyway with the
question.

19 MR. MAGEE: Yes. Mr. Montague has been
20 studying this matter for us, and I wonder if he could
21 answer that question, Mr. Cooper?

22 MR. MONTAGUE: I believe there are other
23 factors which are of more importance than rates, believe
24 it or not. That is, this rate is an exceptionally
25 low rate, and any increase will, of course, assist a
26 competitor in at least attempting to get the traffic.
27 But there are other important factors present in the
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2 western grain situation, and these relate to the orient-
3 ation of the western grain industry to the carrying of
4 grain by rail. Now, it is our opinion that if, in time,
5 a significant breakthrough occurs which would introduce
6 some form of truck transport into that export grain
7 carriage, this would be the most important thing that
8 could occur for the carriage of grain by truck. It
9 wouldn't be the simple doubling or quadrupling of the
10 rates, because if the shipper chose to alter this way
11 of handling this traffic there would still be no truck
12 movement of that traffic. So I don't think the question
13 is just as simple as you have put it, that is if we
14 double or triple the rates would we be able to compete
15 for the traffic. I can give you an idea of how
16 trucks have competed for traffic of this type in the
17 United States, and there they have found that not only
18 have the trucks met the rail rates but, on the average,
19 I was informed in Washington, the truck rate was about
20 25 per cent under rail because of truck competition, and
21 frequently the truck rates, because of truck competition,
22 for a particular traffic, would be as much as 50 per cent
23 under the rail rate.

24 Now, we must remember that those rail rates are
25 exceptionally high, but it gives you an indication of
26 how competitive the truck transportation in the United
27 States can be for this commodity. But could we say
28 if we doubled the rates could the trucks carry this traffic?
29 It can't be said, because it is the nature of the industry
30 itself which offers difficulty in answering that question.

Q. Assuming that the industry would turn to



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2 the cheapest form of transport they could get, upon that
3 assumption, can you be any more specific?

4 MR. MONTAGUE: Yes, if the industry could
5 adjust and the rates increased and there was a freedom
6 within the industry to move to any form of transport the
7 industry chose, we believe that a certain amount of truck
8 traffic would develop for that grain movement.

9 Q. At what point?

10 MR. MONTAGUE: Well, again, I can only say that
11 it will be a very competitive rate; it could vary at a
12 level of 25 per cent under the rail rate or 50 per
13 cent under the rail rate. The point is, what are the
14 economics of that truck operator's operation? If he
15 can go back unloaded he can afford to carry that at a
16 very low rate.

17 Q. Can we say about a doubling of the present
18 rates on the movement of grain to export positions?

19 MR. MONTAGUE: Well, I don't think I am capable
20 of answering and saying that at any particular point this
21 traffic will occur. Certainly, as soon as the rate
22 got to a level at which it would attract truckers, and
23 there is freedom for them to get into it, they would
24 get into it.

25 Q. You couldn't tell what that level would
26 be?

27 MR. MONTAGUE: No, I don't believe I could.
28 I think it would be impossible to state.

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30 (Page 10895 follows)



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2 MR. SINCLAIR: Mr. Chairman, I notice in
3 the transcript when Mr. Hume was introducing this
4 evidence that we could look to Mr. Montague for
5 some information in this regard, and I was looking
6 forward to the Canadian Trucking Associations coming
7 forward and assisting the Commission by saying what the
8 cost per ton mile would be on various lengths of haul
9 for the movement of grain, having in mind, as Mr. Hume
10 indicated at other times, they would be prepared to
11 take the same kind of obligations as on the railways --
12 that is, to leave their trailers at the head of the
13 lakes for as much as 93 or 100 days, and give grain
14 priority, and would be prepared to look after peaking,
15 all these things calling for substantial difficulties
16 and involving a one-way movement of substantial ton-
17 nages -- that is, coming back empty. I noted that
18 Mr. Hume promised us this, and I thought this was the
19 time.

20 THE CHAIRMAN: Well, I think you can follow
21 that up in cross-examination.

22 MR. SINCLAIR: I will be glad to.

23 MR. HUME: Mr. Chairman, I would hate to
24 leave the statement of Mr. Sinclair on the record.
25 I at no time ever suggested that the trucking industry
26 would be willing or able, or would it be possible, to
27 leave its vehicles for any length of time. I did say
28 Mr. Montague had gone to Washington and had some infor-
29 mation, and I hope my friend's question can be answered,
30 but I gave no such undertaking.



1
2 THE CHAIRMAN: What are the facilities at
3 terminals to take deliveries from trucks?

4 MR. MONTAGUE: As far as I know, there are
5 no facilities now at export terminals for truck unloading
6 of grain, in Canada.

7 MR. MAGEE: That is not, in our opinion, a
8 reason for not giving this very careful consideration.
9 We have had this very same problem in the Montreal area
10 in the movement of some types of grain there, and there
11 is an annual tariff hearing by the Board of Grain
12 Commissioners, and certain of the elevator companies
13 have come each year to the hearings and asked that the
14 trucks be prohibited, by the Grain Commissioners, from
15 taking delivery of the product because they are a
16 nuisance, and the Chief Commissioner at the second year's
17 hearing, told these gentlemen the Board had no intention
18 whatever of issuing any such order, that the trucks
19 were here to stay, they were coming into operation, and
20 it was a form of transportation that had to be recognized,
21 and they would have to adjust their facilities to take
22 care of deliveries to trucks.

23 MR. COOPER: Q. The situation in Montreal
24 is the situation you refer to on page 3.10, paragraph 29?

25 MR. MAGEE: Yes.

26 Q. At the top of the page:

27 ". . . as an example, the service charge for
28 unloading grain to trucks in Montreal is higher
29 than for railway cars . . .".

30 Is that correct?



1
2 MR. MAGEE: Yes.

3 Q. Is the situation the same in other
4 eastern Canadian harbours, or is it confined to Montreal?

5 MR. MAGEE: We have never had to deal with
6 the situation in other eastern Canadian harbours, and I
7 am not aware of the situation there. The Board controls
8 the delivery rates into railway cars and into trucks;
9 it sets the tariff of the elevator companies -- the
10 tariff that they may charge for the delivery of the
11 product into the railway cars and trucks, and about three
12 or four years ago they increased the rates for the hand-
13 ling of the products into the trucks. They jumped from
14 about 100 per cent over the rail rate handling charges.
15 That brought us into the picture for the first time, and
16 at the tariff hearing that year we made a submission, and
17 the Board removed the entire increase it had put in in
18 its Decision. The next year they raised the truck
19 handling rate a certain amount, but it wasn't a tremendous
20 increase such as had been made originally, and there is
21 a bit of a differential now between rail and truck. The
22 elevator charge from the elevators into the railway cars
23 is lower than for trucks.

24 Q. I turn now to page 6.2 where you deal in
25 your submission with agreed charges ---

26 MR. MAGEE: Mr. Cooper, I wanted to add one
27 comment, if I could, about your question about the ability
28 of the trucks to handle the grain, if the rate went to,
29 say, one cent per ton mile: having regard to the size of
30 the compensation that the railways are asking for in regard



1 to the movement of the statutory grain and the statements
2 that have been made by their own witnesses, which
3 indicate that this will free a substantial amount of
4 revenue for competition with the trucks, we do regard
5 the proposed subsidy in the Crow's Nest Pass rates as
6 a very important matter, and we would hope, even if we
7 could not at the present time say the trucks could
8 haul grain at one cent a ton mile, that the Commission,
9 if it recommended a subsidy to deal with this problem,
10 would bar the trucks from that situation, because the
11 technological developments in the trucking industry
12 are so great and are occurring so fast that it is
13 impossible today to make any statement about what may
14 happen several months from now. I think the members
15 of the Commission who are familiar with the development
16 of the trucking industry know that. We regard this
17 \$70,500,000 subsidy as an extremely serious problem,
18 and that is why we hope that even if it could be
19 said in theory that the trucks could not move it at
20 the rate of one cent a ton mile, because it would not
21 be economic, it would not be economic today, perhaps,
22 but that the Commission would realize that developments
23 could occur that could make it economic and cause
24 great pressures to arise because of the trucking
25 industry being frozen out of the movement of that
26 traffic. It is the growing trend of railroad subsidiza-
27 tion in all its forms that has very seriously affected
28 the trucking industry, and that is why we reacted so
29 strongly to the apparently innocuous \$20 million subsidy
30



1 last year. This was No. 3 in a growing list, and now
2 comes No. 4. We are not arguing against the railways'
3 basic thesis, ourselves. We haven't made any study of
4 the cost of handling grain, but it is becoming quite a
5 tidal wave of subsidies all across Canada, either
6 existent or proposed, in which the railways are the
7 chosen instrument for the help that is being given to
8 the shippers, and that concerns the trucking industry very
9 much. I just felt I should say that.

10
11 Q. Yes. Mr. Magee, as I understand it, your
12 Associations' position with respect to the payment of
13 any subsidy for the movement of grain under statutory
14 rates is that any such subsidy should be paid direct to
15 the shippers?

16 MR. MAGEE: That is correct.

17 Q. Moving to the paragraphs dealing with
18 agreed charges, I understand that the trucking industry
19 does not use the agreed charge principle in its rate
20 structure, and that there are reasons for that: would
21 you comment on that, please?

22 MR. MAGEE: I would not say that all trucking
23 companies -- and I am taking the words "agreed charges"
24 to be the railway style of agreed charge with a restrictive
25 covenant that a certain amount of traffic must move in
26 the vehicle in order to get the low rate -- I would not
27 say there are none of these agreed charges in the
28 trucking industry. I believe there are a few.

29 Q. There are a few agreed charges in the
30 trucking industry which tie in the traffic to the



1
2 particular company concerned?

3 MR. MAGEE: That is correct.

4 Q. To what extent is traffic tied into those
5 companies in the trucking industry, who have agreed
6 charges?

7 MR. MAGEE: Well, I understand that, much
8 on the same basis as the railways, there are very, very
9 few of them because it is not possible, normally, for
10 a trucking company, because of the economic conditions,
11 to make those kind of contracts, but I thought I should
12 volunteer the information that a few of them do exist.

13 Q. Do any of them go as high as a 100 per
14 cent tie-in of the traffic to the trucking company?

15 MR. MAGEE: I don't know for sure, but I
16 don't see any reason -- it is possible.

17 Q. You have no precise information as to the
18 percentage of tie-in to any trucking company?

19 MR. MAGEE: No. I have been trying to find
20 out something about this problem because I wanted to
21 deal frankly with it when we came to this section.

22 Q. Moving on to page 6.5, in paragraph 13
23 you state:

24 "The ease of entry and exit, whether or not it
25 was true in the past, is definitely not true
26 today."

27 You are dealing there with an analysis of the trucking
28 industry made by the Honourable Mr. Turgeon who made
29 that point in his analysis?

30 MR. MAGEE: Yes.



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2 Q. Would it be true to say that there is
3 comparative ease of contraction and expansion of
4 capacity within individual trucking firms?

5 MR. MAGEE: I don't think that is true of
6 the more substantial trucking firms. I think they
7 react, from their financial standpoint, just as quickly
8 as the railways do -- the railways, of course, in a
9 much larger way -- as an indicator of the amount of
10 traffic that is moving.

11 MR. HUME: Mr. Chairman, may I ask whether Mr.
12 Cooper has reference there to the route coverage, or the
13 equipment? There are regulations with respect to routes,
14 and it is two separate areas, and I didn't want whatever
15 he asked not to be properly answered.

16 MR. COOPER: I had, really, reference to
17 contraction and expansion of capacity.

18 MR. HUME: Well, if you mean routes -- that is
19 capacity to serve greater or larger areas, and you are
20 aware, of course, of the route restrictions in licences,
21 and this is not necessarily an easy or difficult thing,
22 depending on the attitude of the regulatory Board.

23 MR. COOPER: I wasn't thinking of contraction
24 and expansion of routes, as such, but of the vehicles
25 used to serve the same number of routes.

26 MR. HUME: Well, then, I think it is clear.

27 MR. COOPER: Q. Would you agree, or what is
28 your view with respect to ease or otherwise of expansion
29 and contraction of capacity within individual trucking
30 firms having regard to the exchange which has just taken



1
2 place between Mr. Hume and myself?

3 MR. MAGEE: I would say that in the case of
4 a well-established trucking firm that has built up a
5 large, efficient organization, that any precipitous
6 decline in traffic that may be caused by an agreed
7 charge, or some other cause, would be a very serious
8 problem to that company financially.

9 Q. But that company could -- or, perhaps,
10 what you are saying is that it could not with any ease
11 contract or expand its capacity; if it had to contract,
12 the financial consequences would be very severe?

13 MR. MAGEE: It would have to contract if the
14 traffic wasn't there; the vehicles would just stay in
15 the yard and would not move.

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20 (Page 10905 follows)
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2 Q. Well, in any event, what you are saying
3 is that the financial circumstances would be very severe,
4 then, and therefore you think that ability to contract,
5 as a practical matter, is not there to any significant
6 degree.

7 MR. MAGEE: That is right.

8 Q. At paragraph 23 on page 6.8, you have
9 a submission there that this aspect of agreed charge
10 contracts should be controlled by law so that it would
11 be illegal for such contracts to contain any clauses
12 which would require more than 50 per cent of the shippers'
13 traffic to move by the railway. Now, wouldn't, say,
14 75 per cent be sufficient protection or 85 per cent;
15 why 50 per cent particularly?

16 MR. HUME: Because we didn't think we could
17 get 40.

18 MR. MAGEE: Fifty per cent is the instructions
19 of my Board of Directors, Mr. Cooper, and I think that
20 is --

21 Q. Perhaps it is a hopeful figure.

22 MR. MAGEE: Yes, it is a hopeful figure.
23 Perhaps the Commission, if it considered that this was
24 a justifiable request, would consider a larger percentage
25 than 50, but that type of limitation would eliminate the
26 monopolistic aspect of the agreed charge that comes with
27 the 100 per cent agreed charge, where all the traffic
28 is tied to the railways for a considerable period of
29 time.

30 Q. On page 7.1, at paragraph 4, and also with
reference to paragraph 3, you analyze existing inequalities



1
2 and the competitive advantages between the railways and
3 the trucking industry, and you mention, "The standard
4 examples given by the railways are

5 " the problem of the statutory grain rates;
6 and

7 "the problem of maintaining facilities which,
8 because of the loss of traffic, are no longer,
9 and could no longer, be made self-supporting."

10 Are there other examples which could be given
11 in addition to what you have called the standard examples
12 there? I am thinking, for example, of the trucking
13 industry's freedom from regulation comparatively with
14 the railways, which could be advanced as an additional
15 reason for competitive advantage in the trucking industry.

16 MR. MAGEE: Do you mean freedom from regulation
17 of a type that has to do with competition? There are
18 many different regulations on the railway, some of which
19 do not have any impact on the trucking industry or
20 concern the trucking industry, although they may very
21 well concern the railways, but I was wondering if you meant
22 the type of railway regulation that has to do with their
23 ability to meet truck competition?

24 Q. Well, I was thinking, actually, of what
25 the Hon. Mr. Turgeon said in his report at page -- it is
26 reproduced on page 6.4:

27 "The third advantage of the trucking industry is
28 its freedom from regulation, and ... no one advocates
29 the regulation of highway transport in the interest
30 of the railways."

MR. HUME: What page is that?



1
2 MR. COOPER: It is 6.4.

3 MR. MAGEE: I don't understand that reference
4 by the Hon. Mr. Turgeon, and we pointed that out to the
5 parliamentary committee on railways, canals and telegraph
6 lines in June of 1955 at some considerable length.
7 We dealt with the then existing regulation of the
8 trucking industry. There was rate regulation then in
9 the four provinces; Quebec, Manitoba, Saskatchewan and
10 British Columbia, and control of entry into the trucking
11 field in quite a few of the provinces, including the
12 two largest motor transport provinces in Canada,
13 Ontario and Quebec.

14 Trucking is not an unregulated industry, and
15 I find it a little hard to explain that statement to
16 you,

17 "The comparative freedom from regulations "
18 that Mr. Turgeon uses.

19 Q. As reported on 6.4, it says:

20 "The third advantage of the trucking industry is
21 its freedom from regulation,"
22 and that is not in quotes, but I presume it is --

23 MR. MAGEE: If you go into the province of
24 Quebec, you will find that we have a competitive industry;
25 competitive both with itself and the railways and it is
26 a strictly regulated industry.

27 Q. It is my understanding that it is not
28 regulated to the same extent as the railways; there
29 are matters about abandonment of lines and discontinuance
30 of services which are - are there any comparable regulations and restrictions controlling the trucking industry?



1
2 MR. MAGEE: Well, if a truck operator goes
3 into bankruptcy it is true that he just stops, regul-
4 ation or no, but I do know of a case where a large
5 interprovincial trucking company which was having great
6 difficulty with the Toronto-Montreal line, was ordered
7 by the Quebec Transportation Board to run a minimum of
8 four tractor trailer units to Toronto every night whether
9 they were empty or not in order to keep its Public
10 Service Vehicle Permit. There was a courtesy observation
11 of this order.

12 Q. I was just thinking of the word "courtesy".

13 MR. HUME: In quotes.

14 Q. On page 7.2 you mention the railways'
15 ability to cross-subsidize traffic, and said,

16 "If it is true that the railways are at a
17 competitive disadvantage because of cross-
18 subsidization which is forced upon them, it is
19 also true that the possibility of voluntary cross-
20 subsidization of traffic provides the railways
21 with a competitive advantage not enjoyed by their
22 competitor."

23 As trucking firms will grow in size, do such
24 firms pursue a policy of voluntary cross-subsidization?

25 MR. MAGEE: Yes, I think that I have already
26 - I can't remember whether it was in reply to a question
27 from you or from a member of the Commission.

28 Q. Yes, you have touched upon it.

29 MR. MAGEE: Yes, the trucking companies, some
30 trucking companies, undoubtedly are in the position where
they have to cross-subsidize the traffic, but our



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2 comparison there is with an individual railway company,
3 such as the Canadian Pacific or the Canadian National,
4 and an individual trucking company.

5 I was going to say the largest trucking company
6 in Canada - I suppose I should say the largest trucking
7 company in Canada, Smith Transport Limited. The
8 difference in the economic strength of this, the largest
9 company, as compared to the largest railway, is very
formidable.

10 THE CHAIRMAN: Which is the largest?

11 MR. MAGEE: Well, I think that Smith is the
12 largest company as a one unit, sir. The Motorways
13 organization, which owns companies or controls
14 companies all across Canada, is also a very large
15 organization. I don't know for a fact that they are
16 as large as Smith, so I had better be careful in what
I say.

17 THE CHAIRMAN: Which one is that?

18 MR. MAGEE: Motorways, sir. This firm is
19 controlled by British Electric Traction.

20 MR. COOPER: Q. I turn now to the
21 section of the submission dealing with piggyback, and
22 particularly to paragraphs 17 and 18 on page 8.6. You
23 refer to a situation in those two paragraphs which is
24 a threat to the trucking industry inherent in piggyback
25 development, not so much from its use by existing
26 common carriers, but from shippers who handle the goods
27 of others, and are not licensed by provincial truck re-
28 gulatory boards as inter-urban common carriers.

29 Now, in paragraph 18 you refer to unlicensed
30



1
2 competition arising from local cartage or freight
3 forwarding firms providing inter-urban freight services
4 by means of plan 3 piggyback.

5 Would you please enlarge on what you have
6 said in paragraphs 17 and 18 and illustrate the situation
7 which you consider to be a threat to the trucking
8 industry by example?

9 MR. MAGEE: Well, Mr. Cooper, the movement
10 of trailers of the trucking industry, what I would call
11 the licensed over-the-road truck operators, intercity
12 truck operators, consists of the movement of trailers
13 which are authorized to run under the existing provin-
14 cial regulations. These are companies that have gone
15 through the regulatory process of gaining entry into the
16 trucking field of having to go before a board and
17 prove that public interest and convenience required their
18 services, and they build up organizations on the basis
19 of these operating rights.

20 Now, the feeling in the trucking industry is
21 that a local cartage operator who has no highway transport
22 organization will simply go around a certain city and
23 solicit freight, take his trailer down to the railway
24 piggyback terminal and put it on the flatcar, let us say,
25 to Toronto, and it leaves Toronto and maybe lands in
26 Winnipeg. This could break open the whole regulatory
27 system in Canada as it exists at the present time and
28 quite naturally that is a matter of concern to the
29 trucking industry. That is what we have in mind there.

30 Q. Well, why, if I may ask, would that break



1
2 open the whole regulatory system that we have in Canada?

3 MR. MAGEE: Because you wouldn't have to pay
4 any public commercial vehicle licence fees. Your
5 whole taxation picture would be wiped right out and
6 you would have nothing; whatever the cartage licence
7 is in Toronto on your vehicle, it may be \$10 or \$15 or
8 \$50, whatever it may be -- I don't think it is that high
9 -- and you would just be in the long distance trucking
business.

10 Q. In the United States are such shippers
11 in operation, operating under plan 3?

12 MR. MAGEE: Mr. Montague had some talks with
13 the American Trucking Associations in Washington about
14 this and he may have some information to answer that.

15 MR. MONTAGUE: There are shippers shipping
under plan 3 in the United States.

16 MR. MAGEE: You said "shippers"; I thought
17 you meant local cartage operators in the United
18 States. We did refer to shippers using the service
19 in the United States in our brief. I thought you meant
20 local cartage operators.

21 Q. What you were speaking of, the example
22 or illustration you gave a few moments ago, you were
referring to local cartage operators?

23 MR. MAGEE: That is right.

24 MR. MONTAGUE: I should correct my statement
25 in reference to your question; I received no information
26 from the American Trucking Association as to local
27 cartage operators, but shippers are operating under
28 plan 3.
29
30



1
2 Q. Now, what controls may be imposed to
3 correct this situation or prevent it from arising?

4 MR. MAGEE: Well, this has caused us a very
5 great deal of difficulty, Mr. Cooper, our situation on
6 this question, and to try and evolve an answer to it.
7 The Commission indicated when they were at the maritime
8 hearings that they would like some definite decision
9 from the association stated, and I am afraid that I
10 cannot go beyond a rather general statement of principles,
11 which you will find at the bottom of the page 8.7 and
12 8.8.
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16 (Page 10915 follows)
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1 We see it as a serious problem. I am afraid we are not
2 in a position to assist the Commission with as definitive
3 a view as we might give in this matter but piggy-back is
4 a controversial subject in the trucking industry. We
5 have tried to pool all of the controversial views to-
6 gether and present sort of a representative picture of
7 what is happening.

8 Q. In paragraph 20 on page 8.7 you say:
9 "The trucking industry considers that the
10 problem of control of piggyback services
11 should be very carefully studied."

12 Are there any studies presently in existence that have
13 been made, for instance, in the United States?

14 MR. MAGEE: There may well be some in the
15 United States. There are cases on the matter pending be-
16 fore the I.C.C. which will undoubtedly work out some of
17 these problems as they have arisen in the United States.
18 I am sure the Commission could get those or we will be
19 very glad to get those ourselves if it would assist the
20 Commission. There are no studies that we know of.

21 Q. On page 8.8 you refer to regulations:
22 "Any regulations or measures of control adopted
23 should be evolved and administered by an
24 agency, or agencies, fully conversant with the
25 interests and problems of both transportation
26 industries."

27 Is there any existing agency which in your view should be
28 charged with this responsibility or are you envisaging
29 some new controlling body?

30 MR. MAGEE: We are, I think, leaving a great deal



1 to the Commission here but those words were rather care-
2 fully put there. "Agency or agencies" might mean the
3 Board of Transport Commissioners; it might mean our
4 joint transport board that we have suggested later in our
5 submission or it might mean a different kind of truck
6 regulatory board that might be evolved as a result of
7 this Commission's investigation.

8 Q. But you have no settled views on it at the
9 moment?

10 MR. MAGEE: Not at the moment.

11 Q. Now, moving to "Railway entry into highway
12 Transport", page 9.1, you state in paragraph 2:

13 "It is the opinion of Canadian Trucking
14 Associations that entry of the railways into the trucking
15 field is not in the public interest and that it should
16 be stopped."

17 THE CHAIRMAN: Perhaps we can stop there, Mr.
18 Cooper. We will adjourn now until 10.00 o'clock tomorrow
19 morning.

20 --- Adjournment.
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